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30.0 Reference: Main Application, Volume 1, Tab 7.3, page 8

Q30.1 With respect to the change in the cost of "base" energy under the Brilliant Power Purchase agreement, please indicate the total costs for 2004 and 2005 and the resulting unit costs, excluding any true-up adjustments for prior years.

A30.1 The total actual costs for the Brilliant base plant for 2004 will not be available until after March 31, which is the end of the CPC/CBT fiscal year.

Provided instead for 2004 is the forecast provided in 2003 by CPC/CBT which was used as the basis for the 2004 Rate Application.

For 2005, the cost shown is from the 2004 forecast by CPC/CBT, and excludes any true-up.

	2004	2005
Forecast annual cost for base plant	$28,606,176	$28,515,000
Annual Energy, (GW.h)	859	859
Rate ($/MW.h)	33.3	33.2

Q30.2 With respect to the change in costs from 2004 to 2005 for the unregulated upgrade, please indicate whether there were any "adjustments" to the 2005 or 2005 costs that lead to the 14.6% reduction or is the reduction all reflective of the change in the all-in capital costs of the upgrades between the two years?

A30.2 There were no adjustments to the 2005 unregulated-flow component of the upgrade cost which led to the reduction. Shown below is the 2002 forecast for the 2004 unregulated upgrade cost (before adjustments), on which the 2004 rate application was based, and the 2004 forecast for 2005 with no adjustments.

The reason for the significant drop in the forecast cost is that the 2002 forecast had been prepared on the basis of the high outage power-replacement costs that were experienced on the first two units which went into service in August, 2000 and December 2001. By the time the final two units were upgraded and placed in service in July and November of 2002, power costs had dropped significantly. The actual lower power replacement costs have now been captured in the 2004 forecast.

	2004	2005
Forecast annual cost for unregulated upgrade	$1,684,954*	$1,338,000
Annual Energy (GW.h)	64.6	64.6
Rate ($/MW.h)	26*	20.71

**Note: there were small adjustments applied to this cost, bringing the rate down to the $24.26/MW.h rate reported in the rate application*

Q30.3 Please provide a schedule that sets out the impact of lower approved rates for BC Hydro on the total cost and unit cost in 2005 for the energy associated with the regulated upgrade.

A30.3 Please see the response to BCOAPO IR1 Q31.2.

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31.0 Reference: Main Application, Volume 1, Tab 7.3, page 9

Q31.1 Please provide a schedule that sets out the impact of the lower approved BC Hydro rates on the total cost and the unit cost in 2005 for the purchases from BC Hydro (see last paragraph).

A31.1 As shown in the schedule below, the total impact from the lower approved BC Hydro rates is expected to be $699,000 which corresponds to a reduction in the blended energy and capacity rate of $0.88 per MW.h.

Power purchase costs forecast in the Application reflect the approved (lower) BC Hydro rates.

BCOAPO 31.1

2005 Estimated BCH purchase volumes

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
BCH Purchase (GW.h)	113	106	90	72	44	34	30	36	41	63	76	92	797
BCH : Billing Capacity (MW)	185	175	185	140	139	148	178	143	139	148	185	185	1950

2005 Final BCH Rates (Energy)	27.25	Dollars per MW.h
2005 Interim BCH Rates (Energy)	27.87	
Difference	0.62	
2005 Final BCH Rates (Capacity)	4625	Dollars per MW
2005 Interim BCH Rates (Capacity)	4730	
Difference	105	

2005 Estimated Impact of Lower BC Hydro Approved Rates ($000's)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Energy	$ 70	$ 66	$ 56	$ 45	$ 27	$ 21	$ 19	$ 22	$ 25	$ 39	$ 47	$ 57	$ 494
Capacity	$ 19	$ 18	$ 19	$ 15	$ 15	$ 16	$ 19	$ 15	$ 15	$ 16	$ 19	$ 19	$ 205
Total	$ 89	$ 84	$ 75	$ 59	$ 42	$ 36	$ 37	$ 37	$ 40	$ 55	$ 66	$ 77	$ 699

Blended rate reduction = 0.88 This is in dollars per MW.h and includes the capacity savings

Total 2005 savings from the lower approved BC Hydro rates are $699 thousand.
The reduction in unit of energy cost (including the capacity costs as well) is 0.88 mills.

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Q31.2 Since the prices for both the BC Hydro purchases and the regulated flow component of the Brilliant purchases are tied to BC Hydro's rate schedules, why are the 2005 over 2004 changes in unit costs for the two so materially different?

A31.2 The reason is in the fact that different amounts of the total annual energy taken occurred in the April through December 2004 timeframe. Therefore the weighting of the pricing is different. Please refer to the schedule below that sets this out. Note that the 1.3 percent increase in the regulated Brilliant purchase price reported in Table 7.2B on page 8, Tab 7.3, Volume 1 is in error, the correct number is (0.3 percent). This discrepancy is due to using the volume based on the entitlement rather than the actual energy deliveries.

BCOAPO 31.2

2004 BCH Purchase Volumes and Prices

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
BCH Purchase (GW.h)	133	106	66	24	30	52	45	48	43	58	85	118	808
2004 Interim BCH Rates (Energy)	25.99	25.99	25.99	27.87	27.87	27.87	27.87	27.87	27.87	27.87	27.87	27.87	Dollars per MW.h
BCH 2004 Charges	$ 3,446	$ 2,766	$ 1,703	$ 677	$ 823	$ 1,458	$ 1,254	$ 1,345	$ 1,194	$ 1,627	$ 2,370	$ 3,293	$ 21,956

BCH 2004 Energy Rate = $ 27.16

Percent energy taken Jan to March = 37.7%

BCH 2005 Energy Rate = $ 27.25 Per unit increase % in 2005 over 2004 = 0.3%

2004 Brilliant Regulated Flow Purchase Volumes and Prices

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
BRD Regulated Purchase (GW.h)	6.9	6.8	4.6	3.2	6.6	2.7	5.8	3.1	-1.4	0.2	10.8	11.1	60.4
Volume Adjustment	0.0	-0.7	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.9
Final Purchase	6.9	6.1	4.4	3.2	6.6	2.7	5.8	3.1	-1.4	0.2	10.8	11.1	59.5
2004 Interim Rates (Energy)	26.00	26.00	26.00	27.87	27.87	27.87	27.87	27.87	27.87	27.87	27.87	27.87	Dollars per MW.h
2004 Charges	$ 179	$ 159	$ 115	$ 88	$ 184	$ 75	$ 161	$ 86	$ (39)	$ 6	$ 301	$ 309	$ 1,626

BRD 2004 per Unit of Energy Rate = $ 27.32 After Volume Adjustment
BRD 2004 per Unit of Energy Rate = $ 26.91 Before Volume Adjustment (This is the number that was incorrectly presented in the application)

Percent energy taken Jan to March = 29.3%

BRD Regulated Purchase 2005 per Unit of Energy Rate = $ 27.25 Per unit increase % in 2005 over 2004 = -0.3%

Note that the calculation on page 8 in Volume 1, Section 7.3 did not take the volume adjustment into account but did use the reduced dollars that resulted from the volume adjustment.

32.0 Reference: Main Application, Volume 1, Tab 7.3, page 11

Q32.1 Do the cost of purchases from TeckCominco, as set out in Table 7.2E, represent stand-by charges? What other charges will apply if energy is actually purchased?

A32.1 These are charges for delivered capacity. There is no energy associated with these capacity-only purchases from TeckCominco. The charges listed are the capacity costs. It is possible for Entitlement Parties under the Canal Plant Agreement to buy and sell capacity and energy separately to other Entitlement Parties.

Q32.2 Please discuss the reasons for the material difference between the cost per MW for the TeckCominco agreement ($3,870 - $4,040 per month) with the cost per MW ($520 per month) associated with the Avista Energy purchase for the same period.

A32.2 The two types of purchases are not really comparable. The TeckCominco capacity charges are for delivered capacity (please refer to the response to BCOAPO IR1 Q32.1). The Avista Energy purchase is for stand-by capacity only. Market charges would apply to any energy actually delivered under the agreement.

33.0 Reference: Main Application, Volume 1, Tab 7.3, page 11

Q33.1 What is the basis for the forecast cost of energy associated with spot market purchases (e.g., 113 mills/kWh in 2005)? Why is it assumed that spot market purchases will cost less than energy purchases from Avista?

A33.1 The rate noted is based on the energy block rate forecast in the Avista Energy report (Volume 1, Tab 7.3, page 10, line 20) with an adjustment to account for the fact that these purchases are made for the most valuable hours in the energy block.

It is assumed that the spot market purchases will cost less than the call option from Avista since it was intended that the call option volume directly replace an equivalent spot market purchase volume and the call option has a 10 percent price premium added on. This is accomplished by returning to Avista on an hourly basis the portion of the call option not required.

34. Reference: Main Application, Volume 1, Tab 7.3, page 12

Q34.1 Please discuss the extent to which FortisBC has access to hydraulic storage to manage summer surpluses.

A34.1 FortisBC sells its summer surplus in the months of May, June and July. We have no hydraulic storage available under the terms of the Canal Plant Agreement to move surplus energy (water) from the May, June and July period to other times of the year and therefore the surplus must be sold. However, we can and do shift our summer surplus from August and September to other times of the year.

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35.0 Reference: Main Application, Volume 1, Tab 7.3, page 13

Q35.1 With respect to the power purchase sharing mechanism, how are costs differences in excess of $1 million shared?

A35.1 The first $ 1 million is shared 65 percent to customers and 35 percent to shareholders. All variances above $ 1 million are shared 75 percent to customers and 25 percent to the Company.

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36.0 Reference: Main Application, Volume 1, Tab 7.3, pages 7-9 & 13-14 and Tab 8, page 3

Q36.1 The discussion on Tab 7.3, pages 7-9 and Tab 8, page 8 suggests that the impact on 2004 costs of Brilliant and BCH purchases due to the reduction in approved rates for BCH effective April 1, 2004 is reflected in the forecast costs for these resources in 2005. However, the discussion on pages 13-14 suggests that the impact is captured in the incentive adjustments for 2004. Please clarify.

A36.1 Please see the response to BCUC IR1 Q58.

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37.0 Reference: Main Application, Volume 1, Tab 7.3, page 16

Q37.1 Are Wheeling costs included in the calculation of either the flow-through or shared incentive adjustments? If so, how?

A37.1 Wheeling costs are included in the flow-through adjustments. Please refer to line 20 of Table 8.4.2.

38.0 Reference: Main Application, Volume 1, Tab 8, page 4

Q38.1 Were any water fees paid to the provincial government based on the 7.23% interim rate increase for BC Hydro? If so, where is the adjustment to recognize the lower final increase of 4.85% incorporated in the revenue requirement forecast?

A38.1 Water fees are linked to BC Hydro rates but with a one year lag. As a result the BC Hydro rate increase did not cause water fees to rise in 2004, but they will increase in 2005 and this is reflected in the Application. Please also see Volume 1, Tab 8, page 4.

Q38.2 The text on Tab 8, page 4 makes reference to a 20 GWh adjustment resulting from the tentative Canal Plant Agreement. However the discussion on Tab 7.3, page 6 indicates that the adjustment is 28 GWh. Please reconcile.

A38.2 Under the Canal Plant Agreement Entitlement Adjustment Agreement there are two methods whereby FortisBC Entitlements are adjusted:

1. The actual entitlement increase from 1,541 to 1,569 (28 GW.h) as a result of previously implemented generating unit upgrades;
2. The reduction in entitlement energy losses for unit outages that are planned.

The 28 GW.h adjustment to entitlement is not spread out evenly across the months (please refer to the answer to BCUC 52.1 for the monthly distribution). Therefore, since the Canal Plant Agreement Entitlement Adjustment Agreement is only retroactive to June 1, 2004, the increased entitlement for 2004 is expected to be only 4 GW.h. This will not be credited to FortisBC until 2005 so it is not part of the 2005 water fee calculation.

However, lower entitlement losses for planned unit outages were expected to be credited to FortisBC in 2004 and they were estimated at 20 GW.h. It is this amount that Tab 8, page 4 is referring to.

39.0 Reference: Main Application, Volume 1, Tab 8, page 5

Q39.1 Please explain the reason for the reduction in 2003 (versus 2002) O&M expenses for:

- **Customer Service and**
- **Administration and General.**

A39.1 Following are the primary reasons for the reduction in 2003 (versus 2002) O&M expense related to Customer Service and Administration and General.

Customer Service - Reduction of $950,000 (2002 - $4,711,000 versus 2003 - $3,761,000)

Decrease in bad debt expense	($513,000)
Decrease in customer assistance expenses associated with moving from a district customer service representative model to a centralized customer call center.	($902,000)
Decrease in supervisory and administration related expenses	($168,000)
Decrease in credit and collections related expenses	($ 48,000)
Increase in meter reading expenses	$492,000
Increase in billing related expenses	$172,000
Increase in energy management operating expenses	$ 17,000

As discussed during the 2003 annual review, the Company realized that it had under-staffed many of the customer service functions in 2003 and later increased the level of staffing in an effort to address resulting customer concerns.

Administration & General - Reduction of $1,490,000 (2002 - $15,157,000 versus 2003 - $13,667,000)

Write-off of abandoned software project in 2002	($2,075,000)
Write-off of integration costs in 2002	($2,200,000)
Less: Costs borne by the shareholder in 2002	$3,000,000
Net reduction in other administration and general expenses from 2002 to 2003	($ 215,000)