BRITISH COLUMBIA

Utilities Commission Act

DIRECTION NO. 8 TO THE BRITISH COLUMBIA UTILITIES COMMISSION

B.C. Reg. 24/2019

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Consolidated Regulations of British Columbia

This is an unofficial consolidation.

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Prepared by:
Office of Legislative Counsel
Ministry of Attorney General
Victoria, B.C.

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Definitions

1 In this direction:

"Act" means the *Utilities Commission Act*;

"deemed equity" means, for any fiscal year, the product obtained by multiplying the rate base relating to that year by 30%;

"distributable surplus" has the same meaning as in Heritage Special Directive No. HC1 to the British Columbia Hydro and Power Authority;

"DSM regulatory account" means the regulatory account of the authority established under commission order G-55-95;

"F2020" means the authority's fiscal year commencing April 1, 2019 and ending March 31, 2020;

"F2021" means the authority's fiscal year commencing April 1, 2020 and ending March 31, 2021;

"F2022" means the authority's fiscal year commencing April 1, 2021 and ending March 31, 2022;

"F2023" means the authority's fiscal year commencing April 1, 2022 and ending March 31, 2023;

"F2024" means the authority's fiscal year commencing April 1, 2023 and ending March 31, 2024;

"F2025" means the authority's fiscal year commencing April 1, 2024 and ending March 31, 2025;

"F2026" means the authority's fiscal year commencing April 1, 2025 and ending March 31, 2026;

"F2027" means the authority's fiscal year commencing April 1, 2026 and ending March 31, 2027;

"rate base" means, in relation to a fiscal year of the authority, the amount determined in accordance with the following equation and notes:

$$RB = WCA + (A + B + C)/2 - (D + E + F)/2$$

where

RB = rate base;

WCA = working capital amount of $250 million;

A, B, D, E and F = the sum of an amount the authority forecasts will be listed as follows in the authority's audited financial statements at the end of the previous fiscal year and the amount the authority forecasts will be similarly listed at the end of the applicable fiscal year:

A is the amount listed as property, plant and equipment in service, less accumulated amortization;

B is the amount listed as intangible assets in service, less accumulated amortization;

D is the amount listed as contributions in aid of construction;

E is the amount listed as contributions arising from the Columbia River Treaty;

F is the amount listed as leased assets included in A, less accumulated amortization;

C = the sum of the balance the authority forecasts for DSM regulatory account at the beginning of the fiscal year and the balance the authority forecasts for the same account at the end of the fiscal year.

Notes:

1 In determining rate base for a fiscal year, the amounts A, B and F must have subtracted from them any amount included in them that is an expenditure incurred by the authority, on or after April 1, 2011, that the commission determines under the Act must not be recovered by the authority in rates.

2 In determining rate base for a fiscal year, the amount D must have subtracted from it any amount included in it that is related to an expenditure referred to in note 1;

"rate smoothing regulatory account" means the rate smoothing regulatory account approved by commission order G-48-14;

"trade income" has the meaning given to it in section 1.1;

"trade income deferral account" means the regulatory account established under commission order G-96-04 and the approval in section 4.6 of the reasons that accompany that order;

"transfer pricing agreement" means the energy supply contract effective April 1, 2020 between the authority and Powerex Corp., as amended from time to time.

[am. B.C. Regs. 88/2021, s. 1; 56/2022, s. 1; 236/2024, s. 1.]

Meaning of "trade income"

1.1 (1) Trade income for a fiscal year is the greater of the following:

(a) the amount equal to the authority's consolidated net income for the fiscal year after adjusting that income in accordance with subsection (2);

(b) zero.

(2) For the purposes of subsection (1) (a), the authority's consolidated net income must be adjusted as follows:

(a) by subtracting the authority's net income for the fiscal year;

(b) by subtracting the net income for the fiscal year of every subsidiary of the authority other than Powerex Corp.;

(c) by subtracting any foreign currency translation gains in the fiscal year on intercompany balances between the authority and Powerex Corp.;

(d) by adding any foreign currency translation losses in the fiscal year on inter-company balances between the authority and Powerex Corp.

[en. B.C. Reg. 88/2021, s. 2.]

Application

2 This direction is issued to the commission under section 3 of the Act.

Basis for establishing authority revenue requirements

3 In regulating and setting rates for the authority for F2020, F2021, F2022, F2023, F2024, F2025, F2026 and F2027, the commission must ensure that those rates allow the authority to collect sufficient revenue in each fiscal year to enable the authority to achieve an annual rate of return on deemed equity that would yield a distributable surplus of $712 million.

[am. B.C. Regs. 88/2021, s. 3; 56/2022, s. 2; 236/2024, s. 2.]

Cost recovery

4 (1) In setting rates for the authority, the commission must not disallow for any reason the recovery in rates of the balance of the authority's regulatory accounts as at March 31, 2019 and the costs incurred by the authority with respect to the following:

(a) the construction of extensions to the authority's plant or system that came into service before April 1, 2016;

(b) energy supply contracts entered into before April 1, 2016;

(c) debt servicing costs on amounts borrowed in relation to the rate smoothing regulatory account.

(2) Subsection (1) (c) does not limit the power of the commission to allow the recovery in rates of debt servicing costs related to the authority's regulatory accounts not referred to in that subsection.

(3) In setting rates for the authority for a fiscal year, the commission must subtract from the costs to be recovered in rates an amount equal to the net incomes, for the fiscal year, of Powerex Corp. and Powertech Labs Inc.

(4) For the purposes of subsection (3),

(a) the net income of Powerex Corp. for the fiscal year is the amount equal to the trade income forecast by the authority for that fiscal year, and

(b) the net income of Powertech Labs Inc. for the fiscal year is the amount forecast by the authority.

[am. B.C. Reg. 88/2021, s. 4.]

Rate rebalancing

5 In setting rates for the authority for F2020 and F2021, the commission must not set rates for the purpose of changing the revenue-cost ratio for a class of customers.

Expenditures for export

6 The commission must not comply with section 4 (5) of the *Clean Energy Act* when setting rates for the authority for F2020 and F2021.

Retail access

7 Except on application by the authority, the commission must not set rates for the authority that would result in the direct or indirect provision of unbundled transmission services to retail customers in British Columbia, or to those who supply such customers.

Powerex

8 The commission may not exercise any power or perform any duty under Part 3 of the Act in regard to Powerex Corp.

Regulatory account

9 In regulating and setting rates for the authority, the commission must allow the authority to continue to defer to the trade income deferral account the variances between actual and forecast trade income.

[en. B.C. Reg. 88/2021, s. 5.]

Transfer pricing agreement

10 The commission may not exercise its powers under section 71 (1) (b) and (3) of the Act in respect of the transfer pricing agreement.

[en. B.C. Reg. 88/2021, s. 5.]