

Reprint **Island Tides**

Visit www.islandtides.com to read the current edition and more find more interesting articles on other BC, national & international topics in our extensive archive of newspapers and articles.

Reprint from Volume 23 Number 8

Apr 21, 2011

BCHydro rate increase up in air ~ Patrick Brown

In March, BCHydro sought BC Utilities Commission approval for an annual 9.73% electricity rate increase effective April 1, 2011, 2012, 2013, and 2014. Add to that projected 7% increases for 2015 and 2016, and the price of electricity would rise over 50% in the next five years.

The reason for the increases, said BCHydro, is the pressing need to upgrade its older generation and transmission facilities, to meet increased power needs within the province.

The implementation of the planned 9.73% increase was delayed as the Minister of Energy, Rich Coleman, had indicated that he would review BCHydro's finances. Bchydro, for its part, reduced its rate increase request on April 8 to 8.23%.

The latest request to BCUC for approval of large annual increases in power rates showed the financial consequences of the poorly planned development of BCHydro.

A Flurry of Conflicting Changes

Many of the following measures arose from provisions of the Campbell-era *Clean Energy Act*. The former BC Liberal premier wished to use BCHydro as an economic development tool but failed to consider the effect of rates charged to British Columbians.

Over several years, BCHydro signed contracts for the supply of power from private power producers (IPP). IPPs have been constructing run-of-river and wind power projects throughout the province. These contracts have committed BCHydro to the future purchase of \$50 billion of power: power to be purchased at prices much higher than current selling prices, either in BC or on the export market.

BCHydro has also announced the construction of the Northwest Power Line, to provide power to mining and industrial projects in northwest BC.

Another BCHydro announcement says that some two-thirds of estimated future demand will be satisfied through conservation.

BCHydro also originated a system of 'Regulatory Accounts', enabling it to defer various costs to future years on the expectation that they would be covered by future revenues.

BCHydro's Long Term Sourcing Strategy, also submitted to BCUC in March, appears to foretell the recontracting of corporate functions, currently outsourced to Accenture, to a number of smaller contractors. The Accenture contract was expected to reduce BCHydro's costs, but may not have accomplished this.

Asking Questions

Questions naturally followed. First it was the Auditor-General, questioning the validity of the Regulatory Accounts, currently estimated to total \$879 million. Russ Jones, Assistant to Auditor-General John Doyle, asks BCHydro whether the anticipated four-to-six year payout time for these future liabilities is realistic. The purpose of these accounts is to spread out the cost of one-time expenditures without causing a spike in electricity prices. However, these accounts are not shown on the current budget.

Rates Have Attracted Political Attention

On April 7, Minister Coleman appointed a three-man panel to carry out a comprehensive review of BCHydro and make recommendations to reduce the impact of rate increases. The panel includes Deputy Minister to the premier, John Dyble; Deputy Minister of Finance, Peter Milburn, and Associate Deputy Minister for the environmental assessment office, Cheryl Wenezenki-Yolland (formerly the provincial comptroller-general). The panel is to report back to the Premier and the Energy Minister by the end of June.

Following the review, BCUC will continue with the normal rate increase examination, which will include open public hearings. Should be an interesting year for BCHydro. ☺

© Island Tides Publishing Ltd. This article may be reproduced with this attribution, in its entirety, with notification to Island Tides Publishing Ltd.

This article was published (Apr 21, 2011) in 'Island Tides'. 'Island Tides' is an independent, regional newspaper distributing 18,000 print copies throughout the Gulf Islands and Vancouver Island from Victoria to Campbell River.

Island Tides, Box 55, Pender Island, BC, Canada. Phone: 250-629-3660. Fax: 250-629-3838.
Email: islandtides@islandtides.com. Website: <http://www.islandtides.com>