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31 March 2004

Mr. Robert J. Pellatt
Commission Secretary
British Columbia Utilities Commission
PO Box 250
600 – 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Mr. Pellatt:

**RE: British Columbia Hydro and Power Authority (“BC Hydro”)
Plan for Capital Expenditures, Energy Acquisition, and Demand Reduction
 (“Resource Expenditure and Acquisition Plan” or “REAP”)
Pursuant to Section 45(6.1) of the *Utilities Commission Act***

On 29 May 2003, section 45(6.1) of the *Utilities Commission Act* came into force, requiring public utilities to file, “in the form and at the times required by the Commission”, the following plans:

- (a) A plan of the capital expenditures the public utility anticipates making over the period specified by the Commission;
- (b) A plan of how the public utility intends to meet the demand for energy by acquiring energy from other persons, and the expenditures required for that purpose;
- (c) A plan of how the public utility intends to reduce the demand for energy, and the expenditures required for that purpose.

Although the Commission has not prescribed the form or times for filing the above-mentioned plans or specified the capital planning period, BC Hydro has prepared its REAP with a view to satisfying the requirements of section 45(6.1).

The REAP is drawn from four sources. First, it employs the two-year capital expenditure plan filed as Table 11-2 in the F2005/2006 Revenue Requirements Application in relation to capital expenditures. Second, it incorporates the Action Plan that forms part of the 2004 Integrated Electricity Plan. Third, it incorporates the energy costs associated with the Energy Purchase Agreements discussed in section 3, pages 4-9 through 4-15 of Chapter 4 of the Application. Fourth, it adopts the two-year demand side management expenditures identified in section 1.5.3 of Chapter 8 of the Application.

BC Hydro intends to update its REAP annually. The REAP will replace BC Hydro's current annual filings in connection with capital expenditures. BC Hydro suggests that the appropriate time for filing all of its plans pursuant to the opening words of section 45(6.1) is yearly. It also suggests that the appropriate planning period for the purposes of paragraph 45(6.1) is two years for subparagraphs (a) and (c), and four years for the purposes of subparagraph (b).

The capital and demand side management expenditure plans already form part of the material filed with the Revenue Requirements Application. Accordingly, it may be most efficient to consider all aspects of the REAP during the Revenue Requirements Application. To that end, BC Hydro has provided a copy of the REAP to all intervenors in the Revenue Requirements Application. The Action Plan section of the REAP will be a replacement to Appendix G in Volume 2 of that Application. As well, the direct evidence of Mr. Elton filed in the Revenue Requirements Application on 29 March 2004 elaborates BC Hydro's policy position on the regulatory process as it relates to the REAP. For convenience, the REAP also appears on BC Hydro's website at www.bchydro.com.

The REAP identifies those anticipated expenditures on capital projects, resource acquisition, and demand side management that BC Hydro is currently capable of identifying and estimating with confidence. As such, it is the REAP that is amenable to review pursuant to section 45(6.1). The REAP has been developed in the context of BC Hydro's longer term Integrated Electricity Plan ("IEP"). The IEP, which has been provided separately to the Commission, does not identify specific anticipated expenditures, but rather sets out potential portfolios of future resources. This allows for the context of the expenditures contemplated in the REAP to be fully understood. BC Hydro does not seek approval at this stage in connection with any of the portfolios identified in the IEP, except insofar as they are approved as part of the review of the REAP.

In future years, BC Hydro would expect to file its REAP annually for Commission approval. While the specific review process in non-revenue requirement years may be determined on a case-by-case basis, BC Hydro submits that general approval of the REAP need only require a public hearing process in future years where the REAP indicates a significant departure in the level or direction of BC Hydro's activity from the previous year.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Richard Stout', with a long horizontal line extending to the right.

Richard Stout
Chief Regulatory Officer

Enclosure (1)

c: Project No. 3698360 – Registered Intervenors
BC Hydro 2004/05 and 2005/06 Revenue Requirements Application