

# Peace River droughts to deal \$220m hit to BC Hydro's budget

Northeast B.C.'s dry conditions will lead to increase in power imports

BY SCOTT SIMPSON, VANCOUVER SUN JULY 15, 2010 2:10 PM



Peace River valley

**Photograph by:** Ian Lindsay, Vancouver Sun files

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VANCOUVER - Severe drought conditions in northeast British Columbia have BC Hydro bracing for a \$220-million increase in electricity imports this fiscal year.

In documents filed this month with the B.C. Utilities Commission, Hydro states that it expects a "significant" increase in the purchase of imported power this year because of low water volumes coming into its hydroelectric reservoirs.

The Crown utility's biggest generating system, on the Peace River, is particularly hard hit, according to BC Hydro spokeswoman Susan Danard.

"Apparently June was extremely dry in the north so it has bumped us to 77 per cent of normal inflows," Danard said Tuesday in a telephone interview.

As recently as two months ago, Hydro was forecasting that near-normal precipitation in June would allow its Williston Reservoir on the Peace to recover from a warm and dry winter that had greatly diminished the vast system's winter snow pack.

That recovery never happened, with the B.C. environment ministry confirming this week that all of the province's major northern river systems are at near record low stream flows for this time of year.

The ministry said that "these conditions are expected to persist throughout the summer unless above normal rainfall occurs."

Some southern B.C. streams in the Fraser River watershed are near normal, but the ministry's river forecast centre said that, overall, the Fraser is much below normal for this time of year — a situation that could threaten the viability of Fraser salmon populations during peak summer migration.

Hydro's only consolation is that electricity imports from the United States remain relatively cheap, as that nation continues to struggle with the effects of a major recession that has diminished industrial demand for energy.

A \$220-million, one-year expense is roughly equal to a one-year, seven-per-cent rate hike.

In a document filed last week to the B.C. Utilities Commission, Hydro proposes to exclude the import power expense from its balance sheet for the 2011 fiscal year.

Instead, Hydro will put the expense into a "deferral" account on the assumption that at some point in the next few years the Crown utility will experience a bumper year for water inflows into its reservoirs — a reasonable gamble in rain- and snow-prone B.C. — and generate enough profit from export power sales to repay the deferred expenses without resorting to a rate hike.

"The deferral accounts were set up to protect our ratepayers from fluctuations in their bill," Danard said. "We have asked the BCUC to put the increase in energy costs into the deferral account rather than have our customers incur a one-year increase in rates."

Hydro had a similar experience last year, and the deferral account will have a negative value of \$730 million in it by March 2011 — an amount equivalent to a one-year rate hike of 21 per cent.

The account is not used just for weather-related costs. It's also used to smooth out bumps in capital expenditures, such as the cost of a recent long-term power purchase agreement with Teck Resources Ltd., and some costs associated with the launch of its smart meter program.

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