



SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. V6Z 2N3 CANADA
web site: <http://www.bcuc.com>

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-58-10**

TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by British Columbia Hydro and Power Authority
Southern St'at'imc Electrification Project Application

BEFORE: L.F. Kelsey, Commissioner
D.A. Cote, Commissioner

March 26, 2010

O R D E R

WHEREAS:

- A. On December 1, 2009, the British Columbia Hydro and Power Authority (BC Hydro) filed an application (the Application) for acceptance, pursuant to sections 44.2(3)(a) of the *Utilities Commission Act* (the Act); that the capital expenditures BC Hydro and British Columbia Transmission Corporation (BCTC) anticipate making in respect of the Southern St'at'imc Communities Project are in the public interest; and
- B. BC Hydro and BCTC will extend the existing transmission system to interconnect the Southern St'at'imc Communities to the BCTC electrical system; and
- C. BC Hydro requests the British Columbia Utilities Commission (Commission) order pursuant to sections 58 to 61 of the Act that the Southern St'at'imc Communities are eligible to receive electricity service from BC Hydro as Rate Zone I customers as defined and specified in BC Hydro's Electric Tariff; and
- D. BC Hydro states that the Application for the Southern St'at'imc Communities is consistent with the 2007 Energy Plan, Electricity Policy Actions No. 27 and 28, and BC Hydro's Remote Communities Electrification (RCE) 20-year Program Plan; and
- F. On June 25, 2007, the B.C. Government enacted the Remote Communities Regulation and issued Special Direction No. 10 (SD10) that directs the Commission to ensure that BC Hydro makes available to customers in remote communities the same Zone 2 rate and services it makes available in the Non-Integrated Areas (NIA); and
- G. By Order C-4-09A dated September 17, 2009, the Commission granted a Certificate of Public Convenience and Necessity for Toad River, the first community to receive service under the RCE Program; and
- H. The communities of Port Douglas, Tipella, Skookumchuck and Baptiste Smith are listed in Amendment 35/2009 to the Remote Communities Regulation [B.C. Reg. 240/2007]; and

- I. On December 14, 2009 BC Hydro held a Workshop on the Application and several parties filed written comments on the process for the review of the Application; and
- J. On December 17, 2009, the Commission issued Order G-163-09 which established a Regulatory Timetable for a Written Public Hearing process having one round of information requests to review the Application under section 44.2 of the Act; and
- K. Order G-163-09 directed BC Hydro to provide direct notice of the Public Hearing process to all identified First Nations; and
- L. British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO) and BC Sustainable Energy Association (BCSEA) and the Commission provided information requests to BC Hydro and BC Hydro responded to all of the information requests on January 29, 2010; and
- M. BCOAPO and BCSEA provided Final Submissions in respect of the Application on February 12, 2010; and
- N. BC Hydro filed its Reply Submission on February 19, 2010 thus completing the Commission's comment process; and
- O. BC Hydro confirmed that its shareholder will fund the \$9 million Southern St'at'imc Communities contribution until the transfer of funds from the treaty settlement are secured; and
- P. The Commission has considered the Application, evidence and submissions of Interveners and BC Hydro and determines that the Application is in the public interest.

NOW THEREFORE the Commission determines, for the Reasons for Decision that are Appendix A to this Order, that:

- 1. The expenditures required by BC Hydro and BCTC to complete the Southern St'at'imc Communities Project, as described in the application in the amount of \$12.1 million, are in the public interest in accordance with section 44.2(3)(a) of the Act.
- 2. After the Southern St'at'imc Communities are connected to the BCTC grid, these customers will be eligible to receive electricity service from BC Hydro as Rate Zone 1 customers as defined and specified in BC Hydro's Electric Tariff.
- 3. BC Hydro is directed to provide a final project report in a format agreed to by Commission Staff within 30 days of the completion of the Project.

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4. Direction 5 of Order C-4-09A, which requires BC Hydro to file a report on streamlining the process for the RCE Program, within 60 days of this Order, is confirmed.
5. Directive 6 in Order C-4-09A, which requires BC Hydro to file an annual report on the RCE Program, is confirmed.
6. BC Hydro is directed to provide a bi-annual update on the status of the Southern St'at'imc Communities' customer contribution in aid of construction.

DATED at the City of Vancouver, in the Province of British Columbia, this 13th day of April 2010.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner

Attachment



IN THE MATTER OF

**BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
APPLICATION FOR ACCEPTANCE OF CAPITAL EXPENDITURES RELATING TO THE
SOUTHERN ST'AT'IMC COMMUNITIES ELECTRIFICATION PROJECT**

REASONS FOR DECISION

April 13, 2010

BEFORE:

L.F. Kelsey, Commissioner
D.A. Cote, Commissioner

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APPENDIX B Energy Plan and Government Directions

1.0 DECISION SUMMARY

In 2006, British Columbia Hydro and Power Authority created the Remote Community Electrification Program to expand or take over electricity service to some 30 to 40 remote communities in British Columbia. In 2007 the BC Government expressed its support for the Remote Community Electrification Program by way of Policy Action Items 27 and 28 of the 2007 Energy Plan, the Remote Community Regulation as well as Special Direction No. 10 to the British Columbia Utilities Commission. Under the Remote Community Regulation, BC Hydro is obligated to provide electrical service to anyone in a designated remote community who applies for service if their premises are within 90 metres of a distribution system owned by BC Hydro in the remote community. Costs are to be recovered in part from responsible agencies, such as the Department of Indian and Northern Affairs, with the balance of costs recovered from BC Hydro ratepayers (Policy Action 27).

On December 1, 2009, BC Hydro filed an application on behalf of BC Hydro and British Columbia Transmission Corporation, for acceptance of a Project pursuant to sections 44.2(3)(a) and 58 to 61 of the *Utilities Commission Act* and the Remote Communities Regulation. The Project proposes to provide electricity service under the Remote Community Electrification Program to the Southern St'at'imc Communities. The Southern St'at'imc Communities are located on reserve land in the Lillooet River Valley, are listed in Amendment 35/2009 to the Remote Community Regulation and are presently served by their own electrical distribution systems supplied by diesel generation and funded by Indian and Northern Affairs Canada. Potential customers requesting service have presumably agreed to pay the applicable rate for electricity service, once in place.

Key considerations throughout the Project application are as follows: Project qualification for the Remote Community Electrification Program; source of power; grid connection alternatives; adequacy of First Nations consultation; appropriate zone rates and Project costs.

In this Decision, the Project was found to qualify for the Remote Communities Electrification Program. The Commission supports a grid connection and the connection recommendation. First Nations consultation was found to be adequate. Therefore, the Commission accepts the \$12.1 million capital expenditures that BC Hydro and British Columbia Transmission Corporation anticipate making for the completion of the Southern St'at'imc Communities Project per section 44.2 expenditure schedule. Zone 1 rates and terms and conditions under the BC Hydro Electric Tariff in the Southern St'at'imc Communities also apply.

2.0 INTRODUCTION

2.1 The Remote Community Electrification Program

The Remote Community Electrification (RCE) Program proposes to provide electricity service to eligible remote communities which are not part of the British Columbia Hydro and Power Authority (BC Hydro) grid, are not in a non-integrated area which BC Hydro already serves, and are not otherwise provided with electricity by any public utility. The eligible communities comprise First Nations communities which are located on reserve land and receive funding for electricity from the Federal Government through Indian and Northern Affairs Canada (INAC), and civic communities which are off reserve and do not receive such funding (Toad River Application, Appendix L, p. 4). The prime objective of the RCE Program is "...for BC Hydro to provide reliable, safe, cost-effective electric utility service in all willing and eligible remote communities by 2017" (Toad River Application, Appendix L, p. 5). The first community served under the RCE Program was Toad River under Commission Order C-4-09.

The Southern St'at'imc Communities have requested service under the RCE Program.

2.2 Commission Jurisdiction

BC Hydro applied to the Commission (the Application) under sections 44.2(1)(b) and 58 to 61 of the *Utilities Commission Act* (the Act).

Section 44.2(5) of the Act provides that the Commission must consider the following when considering whether to accept a section 44.2 expenditure schedule:

- a) The government's energy objectives (as defined in section 1 of the Act);
- b) The most recent long-term resource plan filed by the public utility under section 44.1;
- c) Whether the schedule is consistent with the requirements under section 64.01 or 64.02, if applicable;
- d) If the schedule includes expenditures on demand-side measures, whether the demand-side measures are cost-effective with the meaning prescribed by regulation, if any; and
- e) The interests of persons in British Columbia who receive or may receive service from the public utility.

Sections 58 to 61 of the Act deal with the setting of rates for utility service and the requirement for the Utility to file rates with the Commission.

3.0 THE APPLICATION

3.1 Project Description

The Project is located in the Lillooet River Valley between Lillooet and Harrison Lakes and serves the Southern St'at'imc Communities of Port Douglas, Tipella, Skookumchuk and Baptiste Smith which are listed in Amendment 35/2009 to the Remote Communities Regulation (RC Regulation). (Exhibit B-1, Appendix C)

This Application outlines in detail the impact the Project will have on First Nations along with the consultation that occurred and the feedback and expressions of support received from First Nations affected by the Project. The Project consists of:

- The acquisition of two substation sites; one substation (Sachteen) to serve the communities of Baptiste Smith and Skookumchuck and the other (Upper Harrison Terminal) to serve Tipella and Port Douglas.
- Connection of both substations each comprising a single phase 4 MVA transformer to the existing 360 kV line from Bridge River.
- The construction of approximately 30 km of single-phase distribution line connecting the new substations to the on-reserve distribution systems.
- Acquisition of the on-reserve distributions system from Southern St'at'imc Communities /INAC which have recently been upgraded to BC Hydro standards.

(Exhibit B-1, Section 1.9, p. 1-7) (Exhibit B-1, Section 3.6.3, pp. 3-9 to 3-10)

BC Hydro proposes to commence construction in February of 2010 and expects to complete it by December 31 of the same year. (Exhibit B-1, Section 1.10, p. 1-9)

3.2 Rates

Under Policy Action 27 and Special Direction No. 10 (SD10), the Commission is directed to make available to customers in the Southern St'at'imc Communities the same rates as non-integrated area customers (Rate Zone 2 rates). However, since the Southern St'at'imc Communities will be receiving grid-connected electricity service, BC Hydro is of the view that it is appropriate for customers to pay the same rates as other grid-connected customers. BC Hydro is therefore requesting as part of this application that the Commission authorize Rate Zone 1 rates for customers in the Southern St'at'imc Communities. The effect is to reduce the revenues from the customers in the Southern St'at'imc Communities. The present value of the incremental revenue difference between Rate Zone 1 rates for customers in the Southern St'at'imc Communities and Rate Zone 2 rates is estimated to be \$250,000. This issue is discussed further in Section 4.5.

3.3 Approvals Requested

BC Hydro submits that the BC Government has directed BC Hydro to serve the Southern St'at'imc Communities; therefore other than confirming that the Project properly qualifies for the RCE Program, the Commission is not required to rule on the need for the Project. The Commission's review of the Application for the Southern St'at'imc Communities is directed to whether BC Hydro proposes to carry out its obligations in an efficient and cost-effective manner and whether the Crown's obligation to consult and, if necessary, accommodate potentially affected First Nations has been adequately addressed.

With the intention of becoming the electricity service provider to the Southern St'at'imc Communities by connecting the Southern St'at'imc Communities to the integrated electricity grid, BC Hydro seeks the following:

1. That the expenditure of \$12.1 million required to complete the Project (defined in section 1.9) is in the public interest in accordance with section 44.2(3)(a) of the Act; and

2. Approval to apply Rate Zone 1 rates and terms and conditions under the BC Hydro Electric Tariff in the Southern St'at'imc Communities.

4.0 COMMISSION DETERMINATIONS

4.1 Does the Project qualify for the RCE Program?

The Commission finds that the Southern St'at'imc Communities meet the criteria of the British Columbia 2007 Energy Plan, the Remote Communities Regulation and Special Direction 10 requiring BC Hydro to provide service to persons within the Remote Communities Regulation.

The qualification of the Southern St'at'imc Communities for the RCE Program is specifically listed in Amendment 35/2009 to the RC Regulation. (Exhibit B-1, Appendix C) The qualification was unopposed.

4.2 Source of Power (Grid Connection)

The Southern St'at'imc Communities are currently served by diesel generation facilities. Transmission facilities transit the area, however significant infrastructure and an incremental expenditure of some \$9 million is required to properly connect the Southern St'at'imc Communities to the electrical grid. The St'at'imc, with a preference for a grid connection, have concluded a grid connection agreement with BC Hydro to fund the incremental difference. (Exhibit B-1, Appendix F)

The Commission recognizes the benefits of grid connection and accepts that the added \$9 million costs of grid connection (over the minimum costs of providing service by way of diesel generation) is off-set by a customer contribution in aid of construction which renders the grid connection alternative revenue neutral to ratepayers. The Commission supports the recommendation of BC Hydro to connect the Southern St'at'imc Communities to the grid.

The following reasons outline the Commission's support:

BC Hydro concluded that taking over the ownership and operation of the existing distribution and diesel generation facilities was the most cost effective option to provide electricity service to the Southern St'at'imc Communities. (Exhibit B-1, Section 3.5, p. 3-7) The St'at'imc were not satisfied with continued reliance on diesel generation given their proximity to BC Hydro's existing infrastructure and their long-standing position in Negotiations that the existing BC Hydro infrastructure had negative impacts on their communities. The St'at'imc advised BC Hydro that connecting the Southern St'at'imc Communities to the electric grid would be a critical component of a long-term settlement agreement in the Negotiations. (Exhibit B-1, Section 3.5, p. 3-7)

BC Hydro and the St'at'imc agreed under the Grid Connection Agreement that the additional cost of grid connection relative to diesel generation would be off-set against any final settlement or court judgement. The amount of the off-set was agreed, at the time, to be \$9 million. The Grid Connection Agreement also transfers the existing Southern St'at'imc Communities distribution systems to BC Hydro, provides BC Hydro with distribution line rights-of-way, removes the substation sites (purchased by BC Hydro) from the proposed Treaty Settlement Lands and commits the St'at'imc to support the Project. (Exhibit B-1, Section 3.5.3, p. 3-8)

BC Hydro has agreed that until a settlement with the St'at'imc is achieved or if a settlement is not achieved and BC Hydro does not receive the St'at'imc Contribution, this cost will not be borne by ratepayers. (Exhibit B-4, BCUC 1.9.1)

The Commission notes the specific reference in the Energy Plan, Policy Action 27 to the “environmental and economic issues associated with this type of generation [diesel], the business and social case for pursuing clean electricity and energy efficiency solutions in remote communities” and “these solutions should not be overlooked when considering service options for Remote Communities.”

British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO) notes that the St'at'imc contribution toward a grid connection is such that the cost to ratepayers of a grid extension versus the cost of providing service using diesel generation is virtually the same. BCOAPO notes that the St'at'imc contribution is contingent on a settlement being achieved, but for the present application notes that any shortcoming in the St'at'imc contribution will not be borne by ratepayers.

BC Sustainable Energy Association and Sierra Club British Columbia (BCSEA-SCBC) submits that the finances of the Project are structured so that BC Hydro, and hence its ratepayers, pay only as much as it would otherwise cost to implement diesel generation. The additional costs of grid interconnection are to be borne by the St'at'imc First Nations communities.

As determined above, the Commission agrees with and accepts the proposal of BC Hydro to connect the Southern St'at'imc Communities to the grid.

4.3 Grid Connection Alternatives

BC Hydro considered several grid connection alternatives. In making its assessment of alternatives BC Hydro considered financial costs and reliability, particularly in view of the relatively remote location of the communities. In total, five alternatives were considered. The preferred option was a standalone substation at Sachteen plus a substation at Upper Harrison Terminal (UHT) in conjunction with the BC Hydro/Cloudworks Energy Inc. UHT substation.

The Commission finds the proposed grid connection option is a balance between lowest overall cost and reliability of supply. The costs of the proposed option, compared with other options, appear to be reasonable, and the Commission concludes the legislated service is being provided in a cost-effective manner.

The following reasons support this decision.

Of the following alternatives, BC Hydro has selected Option 1 because it represents an optimal balance of financial costs and reliability, particularly in view of the relatively remote location of the communities.

BC Hydro submits that the alternatives considered for the Project, to supply distribution power from the BC Hydro grid to the Southern St'at'imc Communities, are (Exhibit B-1, Section 3.11, pp. 3-23 to 3-29):

- Option 1: Standalone substation at Sachteen plus a Substation at UHT in conjunction with the BC Hydro/Cloudworks IPP UHT substation (selected option).
- Option 2: Standalone substation at Sachteen plus a standalone substation at Tipella.

- Option 3: Substation at UHT plus a long distribution line to Skookumchuck.
- Option 4: Standalone substation at Tipella plus a long distribution line to Skookumchuck.
- Option 5: A long (104 km) distribution line from the Mt. Currie area to Skookumchuck.

Additional details are provided in the Table below:

Table 3-6 Capital and Operating Cost for Options

Option	Scope	Distribution Line Length (km)	Total Capital Cost (\$million)	D/L Operating and Maintenance Cost- 25 year PV (\$ million)	Station Operating and Maintenance Cost- 25 year PV (\$ million)	Total Capital plus Operating (\$ million) (accuracy range)
1	Stand Alone Sub at Sachteen + Sub at UHT	30.2	29.8 ¹	0.54	0.41	30.8 (28 – 35)
2	Stand- alone Sub at Sachteen + Stand Alone Sub at Tipella	30.2	32.0	0.54	0.41	33.0 (29-40)
3	Sub at UHT + long distribution to Skookumchuck	54	26.5	0.97	0.30	27.8 (25-34)
4	Stand- alone Sub at Tipella + long distribution to Skookumchuck	54	28.7	0.97	0.30	30.0 (26 – 38)
5	Distribution line from Mt. Currie area	104	33.7	1.87	0.0	35.6 (30 – 48)

Note 1: \$29.8 million + \$270,000 (distribution system upgrades) = \$30.1 million (the Project cost shown in Table 3-4).

(Exhibit B-1, Section 3.11, p. 3-25)

BC Hydro submits that the primary factors considered in the evaluation of the five grid connection options were as follows:

- Total costs (capital and operating); and
- Reliability (the length of the distribution line further impacts reliability in that longer distribution lines tend to reduce reliability. In addition, longer distribution lines tend to have higher operating costs).

BC Hydro submits Options 3 and 4 were lower in total estimated costs (capital plus operating), but were within the estimation accuracy range of Option 2 and the preferred Option 1. Options 3, 4 and 5 were less preferred due to lower reliability and higher operating costs associated with the proposed longer distribution lines (54 km for both Option 3 and Option 4 and 104 km for Option 5).

BC Hydro submits Options 1 and 2 provide the highest reliability in this remote area due to shorter distribution lines (30 km for both options). The preferred Option 1 provides an estimated \$2 million in cost savings over Option 2 due to its integration with an existing IPP substation (Cloudwork's UHT substation).

In terms of reliability, the Southern St'at'imc Communities are remote and, as such, BC Hydro expects that it may take about 30 hours to resolve any issues under normal conditions and possibly several days for major issues such as adverse weather conditions. As such, BC Hydro prefers shorter distribution lines in remote areas for reliability, financial, operational and safety reasons.

The Commission notes that the selected option was not opposed.

4.4 First Nations Consultation

The February 18, 2009 British Columbia Court of Appeal decisions of *Carrier Sekani Tribal Council v. British Columbia (Utilities Commission)*, 2009 BCCA 67 and *Kwkwetlem First Nation v. British Columbia (Utilities Commission)*, 2009 BCCA 68 confirmed that the Commission has an obligation to assess the adequacy of Crown consultation within the Commission's regulatory scheme.

Based on the evidence before it, the Commission finds BC Hydro's consultation with First Nations regarding the Southern St'at'imc Communities Electrification Project, has been adequate to the point of this decision.

BC Hydro identified the following First Nations who may have an interest in the Project: the Southern St'at'imc, the Chehalis Indian Band (Chehalis), Kwantlen First Nation (Kwantlen), the Stó:lō Nation and the Sto:lo Tribal Council.

BC Hydro did not undertake a detailed strength of claim assessment for each identified First Nation; rather, BC Hydro submitted the following information about the First Nations' interests in the Project area:

- the Project is entirely situated within treaty settlement lands that have been agreed to in principle by the Southern St'at'imc, the Province of BC and Canada;
- the vast majority of the Project activities will be located in very close proximity to the present-day villages and on the reserves of the Southern St'at'imc Communities; and
- the Chehalis, Kwantlen, Stó:lō Nation and Sto:lo Tribal Council have indicated that the RCE UHT substation and the southern section of the distribution line which will connect the communities of Port Douglas and Tipella to the electrical grid are situated within their asserted traditional territories.

(Exhibit B-1, Section 4.1, pp. 4-1 to 4-2)

BC Hydro provided information about the Project to the identified First Nations and held a number of discussions to determine whether they had any concerns or interests in connection with the Project and how such concerns or interests could be reasonably addressed.

The St'at'imc have confirmed their support for the Project in letters dated March 4 and September 14, 2009. The Chehalis have confirmed their support for the Project by letters dated April 17 and June 23, 2009. The Sto:lo Tribal Council stated their support for the Project in letters dated March 27 and May 1, 2008. The Sto:lo Nation has confirmed in a letter dated May 20, 2008 that it does not oppose the Project.

The Kwantlen provided BC Hydro with a Heritage Inspection Permit for archaeological studies to be done in the Project area on October 21, 2008. Since then, BC Hydro made several attempts to contact the Kwantlen by letter and by telephone but the Kwantlen did not respond to BC Hydro's request for comments.

BC Hydro submits that its consultation with interested First Nations has been adequate as all of the identified First Nations either supported, did not oppose or did not raise concerns.

Commission Order G-163-09 directed BC Hydro to provide notice of the Commission's written public hearing on the Project to all identified First Nations. The Commission has not received any communications from First Nations in response.

The Commission has assessed the actions of BC Hydro and the potentially impacted First Nations and concludes that BC Hydro has adequately consulted all identified First Nations. BC Hydro provided sufficient information on the Project and engaged by telephone and in writing, to all First Nations with interests in the Project area. BC Hydro has confirmed written support or a lack of opposition for the Project from all but one First Nation. For the one First Nation that did not respond, the Kwantlen, BC Hydro made multiple attempts to contact the Nation and continues to send Project information but has received no comments or concerns in response. BC Hydro did not submit a strength of claim analysis for the potentially impacted First Nations but given the written support and the fact that the Project is entirely situated on land that has an agreement-in-principle treaty settlement between the Southern St'at'imc, the Province of British Columbia and the Government of Canada, it is reasonable that BC Hydro does not submit a detailed strength of claim analysis to the Commission.

4.5 Rates (Zone 1 or 2)

The Application requests approval to apply Rate Zone 1 rates and terms and conditions under the Electric Tariff in the Southern St'at'imc Communities, notwithstanding the statement in SD10 that Zone 2 rates will be available to customers under the RCE Program.

The Commission determines that the Southern St'at'imc Communities are eligible to receive electricity service from BC Hydro as Rate Zone 1 customers as defined and specified in BC Hydro's Electric Tariff once they are connected to the BCTC integrated electrical grid.

Under the RCE Program, if BC Hydro had taken over electric service in the Southern St'at'imc Communities using diesel generation, the customers would have paid Rate Zone 2 rates in accordance with SD10 until such time as BC Hydro and the St'at'imc concluded a final settlement agreement in the Negotiations. Thereafter, BC Hydro would have proceeded to connect the Southern St'at'imc Communities to the integrated electricity grid. Under this scenario, customers in the Southern St'at'imc Communities would, after grid connection, transition from Rate Zone 2 to Rate Zone 1 rates and terms and conditions since they would no longer be customers under the RCE Program.

BC Hydro is proposing to phase out diesel generation and move directly to grid connection rather than use diesel generation before grid connection. BC Hydro is of the view that customers in the Southern St'at'imc Communities should, as a result, enjoy Rate Zone 1 rates as if they had gone through the two steps of the diesel-to-grid connection process described above.

BCSEA-SCBC are of the view that by virtue of the Electric Tariff, customers in the Southern St’at’imc Communities would be eligible to pay Rate Zone I rates even in the absence of a Commission order to that effect.

The Commission is of the view that SD10 and Policy Action 27 do not exclude the possibility of grid connection and that the terms of the Electric Tariff should prevail in this situation after the Southern St’at’imc Communities customers are connected to the grid. BC Hydro’s Electric Tariff defines Zone 1 rates to customers connected to the integrated electrical grid.

The Commission notes that no Interveners opposed the issuance of the orders requested in the Application and that BCSEA-SCBC and BCOAPO support the Project and the request that customers in the Southern St’at’imc Communities pay Rate Zone 1 rates.

4.6 Project Costs

The Commission accepts that the expenditure of \$12.1 million required to complete the Project is in the public interest in accordance with section 44.2(3)(a) of the Act.

BC Hydro submits that INAC agreed to contribute \$8,993,000 towards BC Hydro taking ownership of the Southern St’at’imc Communities distribution facilities and connecting the Southern St’at’imc Communities to the electrical grid. (Exhibit B-1, Appendix F, p. 1-3)

BC Hydro submits that the Project cost is estimated at \$30.1 million and BC Hydro’s Board of Directors has authorized up to \$34.0 million, inclusive of reserves. The cost of the Project less INAC’s Financial Contribution of \$8,993,000 and the St’at’imc \$9 million Contribution is \$12.1 million. (Exhibit B-1, Section 1.6, p. 1-1)

The net annual operating costs are estimated at:

Table 3-3 Operating Cost to Serve the Southern St’at’imc Communities (\$000)

	From Start-up	Year 1	Year 2	Year 3	Year 4	Year 5
	F2011	F2012	F2013	F2014	F2015	F2016
Substations	7.8	31.9	32.6	33.3	34.0	34.7
Distribution Lines	10.4	42.5	43.3	44.3	45.2	46.2
Distribution Lines (in Communities)	7.0	28.8	29.4	30.0	30.6	31.3
Total Operating Cost	25.3	103.2	105.4	107.6	109.8	112.1

(Exhibit B-1, Table 3-3, p. 3-15)

BC Hydro submits that the rate impact to all BC Hydro ratepayers of providing service to the Southern St’at’imc Communities is less than 0.045 percent in F2012 and less than 0.01 percent by F2034. (Exhibit B-1, Section 1.9, p. 1-7)

In reaching its acceptance of the estimated expenditure schedule, the Commission found that the Scope of the Project is appropriate; the First Nations consultation and accommodation to date is adequate; the Project is in compliance with the Government's Energy Objectives, and the Project is in the interests of persons in British Columbia who receive or may receive service from the public utility.

DATED at the City of Vancouver, in the Province of British Columbia, this 13th day of April 2010.

Original signed by:

L.F. KELSEY
COMMISSIONER

ENERGY PLAN AND GOVERNMENT DIRECTIONS

2007 Energy Plan

Policy Actions 27 and 28 of the Energy Plan refer to the planned expansion of electricity service to remote communities and the consideration of alternative electricity sources in the energy planning for remote communities.

Policy Action 27. Pursue BC Hydro’s planned Remote Community Electrification Program to expand or take over electricity service to remote communities in British Columbia.

There are approximately 50 permanent remote communities in BC that are self-reliant or reliant on a third party for electric power; the vast majority of these are First Nations communities.

For many of these communities, electricity service is characterized by sub-standard reliability, provided by ageing assets that are poorly maintained and highly inefficient, and creates significant environmental risks related to diesel emissions and fuel handling.

Over the next 10 years, BC Hydro will pursue its RCE program to expand its service to remote communities that meet specific criteria and that are seeking service from BC Hydro. Service to these communities will be provided under BC Hydro’s Zone 2 tariff. (The Zone 2 tariff is used to service BC Hydro’s existing Non-Integrated Areas.) Costs will be recovered from currently-responsible agencies – such as the Department of Indian and Northern Affairs – and BC Hydro ratepayers.

Policy Action 28. Ensure BC Hydro considers alternative electricity sources and energy efficiency measures in its energy planning for remote communities.

Remote communities and Non-Integrated Areas tend to rely on diesel generation for electricity supply with high operating costs. Given the environmental and economic issues associated with this type of generation, the business and social case for pursuing clean electricity and energy efficiency solutions in remote communities is much stronger than in other areas of the Province. These solutions should not be overlooked when considering service options for remote communities.

BC Hydro will work with the Ministry of Energy, Mines and Petroleum Resources (MEMPR) to develop community energy plans (CEP) prior to extending service to remote communities under its RCE program. In addition, BC Hydro will develop community energy plans when it is considering renewal or replacement of diesel generators in Non-Integrated Areas, or in other circumstances where unique opportunities are evident. CEPs will consider all cost-effective solutions to meet the electricity needs of the remote community, including energy efficiency, alternative energy solutions and integration with the main grid. In addition, the CEPs will seek to integrate with plans for skills training and local economic development opportunities.

Special Direction 10: Rates

In setting rates for the authority, the Commission must ensure that the authority's rates and classes of service available to customers in the non-integrated area, including rates available to customers whose electricity demand is or is likely to be in excess of 45kW.A, are available to customers who receive electricity service under section 2 of the Remote Communities Regulation (RC Regulation).

In setting rates for the authority, the Commission must ensure that those rates allow the authority to collect sufficient revenue in each fiscal year to enable the authority to

- a) Achieve energy and capacity self-sufficiency as described in section 3 of this Special Direction,
- b) Recover costs incurred as a result of the call for power, including costs incurred in purchasing electricity under a biomass contract, and
- c) Recover costs related to the provision of electricity service under section 2 of the RC Regulation.

Remote Communities Regulation

Under the RC Regulation, BC Hydro is directed to provide service to persons in identified remote communities whose premises are located within 90 metres of a distribution system and who apply to the authority for service and agree to pay the rates established for that service under the Utilities Commission Act (the Act).

Government Energy Objectives

As defined in the Act, the Government's energy objectives are:

- (a) To encourage public utilities to reduce greenhouse gas emissions;
- (b) To encourage public utilities to take demand-side measures;
- (c) To encourage public utilities to produce, generate and acquire electricity from clean or renewable sources;
- (d) To encourage public utilities to develop adequate energy transmission infrastructure and capacity in the time required to serve persons who receive or may receive service from the public utility;
- (e) To encourage public utilities to use innovative energy technologies
 - a. That facilitate electricity self-sufficiency or the fulfillment of their long-term transmission requirements, or
 - b. That support energy conservation or efficiency or the use of clean or renewable sources of energy;
- (f) To encourage public utilities to take prescribed actions in support of any other goals prescribed by regulation.