

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



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-184-11**

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
for a Certificate of Public Convenience and Necessity for the
Dawson Creek/Chetwynd Area Transmission Project**

BEFORE: L.A. O'Hara, Commissioner and Panel Chair November 8, 2011
D. Morton, Commissioner
C.A. Brown, Commissioner

O R D E R

WHEREAS:

- A. On July 11, 2011, British Columbia Hydro and Power Authority (BC Hydro) applied (the Application) pursuant to subsection 46(1) of the *Utilities Commission Act* (the Act) to the British Columbia Utilities Commission (the Commission) for a Certificate of Public Convenience and Necessity (CPCN) to construct and operate the Dawson Creek/Chetwynd Area Transmission Project (the Project) as described in the Application;
- B. The Project is Phase 1 of what BC Hydro anticipates will be a two phase program to reinforce the transmission system in the Dawson Creek/Chetwynd area of north east British Columbia. The Application states that reinforcement of the transmission capacity is needed to enhance the quality of service to existing customers and to meet increasing customer load. The Project is BC Hydro's preferred alternative to meet the area's forecasted load growth;
- C. The Project consists of three main components:
 - (i) The construction of the new Sundance Substation (SLS) including the acquisition of 8.5 hectares of land.
 - (ii) The construction of a double circuit 230 kV transmission line on steel monopoles for 60 km from SLS to Bear Mountain Terminal (BMT) and for 12 km from BMT to Dawson Creek Substation (DAW). A new 33 metre right-of-way is required for the route; in portions where the route parallels existing transmission lines, the required additional width may be less.
 - (iii) The expansion of BMT including the acquisition of approximately 14 hectares of land;

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-184-11

2

- D. The Project's expected cost is \$219.1 million and the authorized amount is \$254.6 million. The expected in-service date is October 2013;
- F. In the Application BC Hydro also requests approval of a revision to Section 8.3 of the Terms and Conditions of its Electric Tariff to provide security for the cost of transmission system reinforcements by distribution voltage customers requesting new service in excess of 10 MW;
- G. The Commission held a Procedural Conference on the Application on November 4, 2011 in Vancouver, BC;
- H. The Commission has determined that a Revised Regulatory Timetable should be established for the review of the Application.

NOW THEREFORE for the reasons set out in the Reasons for Decision attached as Appendix B to this Order, the Commission orders as follows:

1. The Revised Regulatory Timetable for the review of the Application is established as set out in Appendix A to this Order.
2. BC Hydro will provide a copy of this Order to all parties who have intervened in its F2012/F2014 Revenue Requirements Application.

DATED at the City of Vancouver, in the Province of British Columbia, this 8th day of November 2011.

BY ORDER

Original signed by:

L.A. O'Hara
Commissioner

Attachment

An Application by British Columbia Hydro and Power Authority
for a Certificate of Public Convenience and Necessity for the
Dawson Creek/Chetwynd Area Transmission Project

REVISED REGULATORY TIMETABLE

| ACTION | DATE |
|---|-----------------------------|
| Commission Panel Information Request | Tuesday, November 15, 2011 |
| Commission and Intervener Information Requests No. 3 to BC Hydro | Friday, November 18, 2011 |
| BC Hydro Responses to Commission Panel, Commission and Intervener Information Requests No. 3 | Friday, December 2, 2011 |
| Intervener Evidence | Friday, December 16, 2011 |
| Information Requests regarding Intervener Evidence | Tuesday, January 3, 2012 |
| Intervener Responses to Information Requests on Intervener Evidence | Tuesday, January 17, 2012 |
| Second Procedural Conference or Written Submissions regarding whether the review should proceed by way of an Oral or Written Public Hearing | Friday, January 20, 2012 |
| Placeholder for BC Hydro Rebuttal Evidence | Wednesday, February 1, 2012 |
| Placeholder for a potential Oral Hearing | February 13 to 17, 2012 |

FURTHER INFORMATION

For further information, please contact the Acting Commission Secretary, Ms. Alanna Gillis as follows:

Acting Commission Secretary
Telephone: (604) 660-4700
Facsimile: (604) 660-1102
Email: Commission.Secretary@bcuc.com
BC Toll Free: 1-800-663-1385



IN THE MATTER OF

**BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY APPLICATION
FOR THE DAWSON CREEK/CHETWYND AREA TRANSMISSION PROJECT**

REASONS FOR DECISION

November 8, 2011

BEFORE:

L.A. O'Hara, Commissioner and Panel Chair
D. Morton, Commissioner
C.A. Brown, Commissioner

1.0 BACKGROUND

On July 11, 2011 British Columbia Hydro and Power Authority (BC Hydro) applied to the British Columbia Utilities Commission (the Commission) for a Certificate of Public Convenience and Necessity (CPCN) to construct and operate the Dawson Creek/Chetwynd Area Transmission (DCAT) Project (the Application) pursuant to subsection 46(1) of the *Utilities Commission Act (the Act)*. BC Hydro states that reinforcement of the transmission system in this area is needed to enhance the quality of service to existing customers and to meet increasing new customer load. The extraordinary increase in projected load is primarily due to anticipated demand by the gas industry planning to bring to market the unconventional gas reserves (shale gas) from the Montney gas basin located in the Dawson Creek and Groundbirch areas. BC Hydro further states that this Project represents Phase 1 of what it anticipates will be a two-phase program to reinforce the transmission system in the area.

BC Hydro is currently negotiating with five gas producers in the Montney Gas Basin. They will be the first new industrial customers to take service from the DCAT system. Of these, some are transmission voltage customers and some are distribution voltage customers. For transmission voltage customers, BC Hydro proposes to use the Terms and Conditions of Tariff Supplement No. 6 (Agreement for New Transmission Service Customers) in respect of the system reinforcement, including the requirement to provide security for the costs. Accordingly, BC Hydro also requests approval of a revision to Section 8.3 of the Terms and Conditions of its Electric Tariff to provide security for these costs incurred on behalf of distribution voltage customers requesting new service in excess of 10 MW. It appears that some of the new customers would be using the Rate Schedule 1823, Transmission Service – Stepped Rate, which includes an energy charge of 3.533 cents per kW.h. Other new customers would be using Rate Schedules 1600, 1601, 1610 or 1611, applicable to Large General Service (150 kW and over).

After the completion of two rounds of Information Requests (IRs) from the Commission and the registered Interveners, a Procedural Conference took place on November 4, 2011 to consider the further regulatory process required for the review of this Application. Previously, on November 2, 2011, the Commission received Statements of Intent to file evidence from the Commercial Energy Consumers Association of British Columbia (CEC) and the West Moberly First Nations (WMFN). Moreover, the Association of Major Power Customers of British Columbia (AMPC) stated that it currently expects to introduce Intervener evidence in this matter. (Exhibit C2-8, Exhibit C5-12, Exhibit C3-2)

During the Procedural Conference the Commission Panel requested participants to address the following matters:

- Identification of significant issues;
- Scope of the Commission review of various sections of the Application;
- Intervener Evidence to be filed;
- Whether the review should proceed by oral or written public hearings, or some other process;

- Steps, timetable and location associated with the regulatory review process; and
- Other matters that will assist the Commission in efficiently reviewing the CPCN Application.

The Panel Chair also emphasized that a fundamental driver behind these issues is the question: Does the record contain sufficient evidence to enable the Commission Panel to determine whether this Application is in the public interest.

2.0 SUBMISSIONS OF THE PARTIES

BC Hydro submits that “there can be no doubt that the record that BC Hydro has put forward for its alternative means of solving this demonstrated problem is complete. That is, the evidence is complete that there is a solution at hand, that solution is technically feasible.” (T1:19) BC Hydro also emphasizes the importance of having the new transmission line operational by October 2013, which in turn is feasible only by way of an efficient review process resulting in granting of the CPCN in the spring of 2012. Specifically, BC Hydro states that no further IRs are required, proposes a schedule which completes the discovery process on Intervener Evidence by December 16, 2011 and establishes the second Procedural Conference for December 20, 2011. After hearing submissions at the second Procedural Conference, the Panel can then decide whether a written or oral hearing is required. (Exhibit B-18)

The CEC first notes that since the DCAT CPCN Application was prepared, both the provincial government’s Review Report on BC Hydro and the further review by the Auditor General regarding the build-up in deferral accounts express concern over increasing rates. The CEC then states that this is the first significant BC Hydro Application reviewed in the context of these reports. The CEC submits that “the long-term impacts of this project, capital and cost of energy on rate payers are in the billions over the long term”, with the cost of supply of power to new customers being felt by existing customers. The CEC further submits “the Commission should be considering [the]...integration issue in planning the cost of power and capital.” (T1:22-24)

After expressing concern over the risk of stranded investment, the CEC states “we are concerned with the logic of a mass of strategic investment in natural gas in the province, resulting in export of very significant quantities of natural gas to be used for power supply in other countries, while the BC Hydro ratepayers may end up with very significant rate increases to facilitate that, without an option which looks at natural gas utilization in the area in which it is produced. There is a logic disconnect there that we are having a very difficult time making, and that will be an issue we’ll pursue in the proceeding.” (T1:27)

AMPC suggests two issues of importance. The first is the operation of the electric tariff with respect to customer contribution in the case of system reinforcement. The second issue is the allocation of costs between old and new customers on the system. (T1:36)

Counsel for WMFN raises a new matter, which is the scheduling of their Stay Application for the hearing procedure. (T1:7) WMFN expresses concern over the adequacy of the consultation record and states that without adequate consultation and study of impacts the Commission will not be able to decide whether or not

this project should ultimately proceed. (T1:38-39) WMFN states that the required studies would take at least four months to complete. Accordingly, WMFN plans to submit a written Stay Application to the Commission on Wednesday, November 9, 2011.

British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO) supports the submission of the CEC. (T1:45)

Counsel for Cope Union Local 378 (COPE) characterizes as one of the main issues the appropriateness of using the industrial electric tariff as a mechanism to subsidize the development of private industry. COPE submits that the Commission's mandate is to ensure that this project is in the public interest. In doing so, the Commission must consider government policy and determine whether the project in the long run "works for the province and for its people." COPE submits that the serious deficiency of the record is the "absence of robust alternatives which materially address the concerns the parties have." (T1:48-50)

BC Sustainable Energy Association and The Sierra Club of British Columbia (BCSEA), in addition to issues raised by other parties, identifies the greenhouse gas emissions and greenhouse gas emissions reductions implications of the project as its most significant issue. It also questions BC Hydro's position that Phase 1 and Phase 2 are independent because plans for Phase 2 may impact the choice of alternatives for Phase 1. (T1:51-52)

Clean Energy Association of British Columbia (CEA) adds further additional questions such as:

- Does BC Hydro have the right to ration the supply of electricity as between new customers, whether they be residential commercial or industrial customers?
- Does BC Hydro have an obligation to serve new residential, commercial or industrial customers?
- Does the Commission have the mandate to ration the supply and similarly, indirectly or directly, the ability to restrict BC Hydro's obligation to serve with respect to residential, commercial and industrial customers? (T1:54-57)

Mr. Ruskin indicated a plan to submit further evidence focused on an alternative strategy. His main concerns relate to the fact that the greenhouse gas emissions are a global issue and to the potential cross-subsidization of rates. (T1:60-62)

Most parties supported the need for the third round of IRs. Furthermore, there was a consensus that it is premature for the Panel to determine whether a written or oral proceeding is required. That determination should wait until the record has been enhanced by way of further IRs and the Intervener Evidence.

In reply, BC Hydro submits that the DCAT CPCN project must be reviewed as such and no more. Because BC Hydro's system is integrated "in the most fundamental of ways" a new capital project naturally brings many policy concerns to surface. However, BC Hydro submits that all policy issues, such as impact of marginal cost of power and who pays, cannot be re-debated in every proceeding. Ultimately, BC Hydro has a responsibility to demonstrate the need and ensure that the project will be delivered on time. (T1:65-67)

3.0 COMMISSION DETERMINATION

The Commission Panel has considered the submissions made in the November 4, 2011 Procedural Conference and makes the following findings.

This Application has come before the Commission at a time when there is unprecedented scrutiny over BC Hydro. While in earlier times it might have been straightforward for the Commission to narrow the scope strictly to the capital project at hand, it may not be feasible in the provincial context today - especially when the gap between the embedded cost and marginal cost of power is widening rapidly. As stated by a number of Interveners, to make the public interest determination the Commission Panel has to take an integrated approach and consider the capital cost of the project, the key drivers for the need as well as the energy cost component.

Based on the submissions received, the Panel finds that the evidence before it is deficient in a number of areas, including: the public interest issues that are at play in this application; the absence of robust alternatives; BC Hydro's obligation to serve; allocation of costs between old and new customers; the adequacy of First Nation consultation; and, the contribution of new customers towards system reinforcement. Accordingly, the Panel welcomes the Intervener Evidence to be filed.

The Panel notes that most parties supported the need for additional IRs and that there was consensus around postponement of the procedural decision regarding oral vs. written proceeding. The Panel wishes also to ask some questions by way of a Panel IRs to bring more clarity to the policy environment.

The Commission Panel appreciates BC Hydro's project deadline. The Panel also shares BC Hydro's concern regarding the need for regulatory efficiency. However, the Panel finds that the review process has to be both efficient and effective. It would be short-sighted to rush through a process without having access to viable alternatives to consider, without full understanding of the implications of this plan and perhaps grant the CPCN to a project that in the long-run will not be in the public interest in this province.

Accordingly, the Panel considers that the new revised regulatory timetable provided will enhance the quality of the record and that BC Hydro will still be able to deliver the required transmission system enforcements in a timely manner.