



**LETTER L-21-14**

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**VIA EMAIL**

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June 3, 2014

Ms. Janet Fraser  
Chief Regulatory Officer  
British Columbia Hydro and Power Authority  
16<sup>th</sup> Floor, 333 Dunsmuir Street  
Vancouver, BC V6B 5R3

Dear Ms. Fraser:

Re: British Columbia Hydro and Power Authority  
Filing of the Electricity Purchase Agreement  
between BC Hydro and Covanta Burnaby Renewable Energy, ULC

On March 24, 2014, pursuant to section 71 of the *Utilities Commission Act* (UCA), British Columbia Hydro and Power Authority (BC Hydro) filed with the British Columbia Utilities Commission (Commission) an Energy Purchase Agreement dated January 1, 2014 (2014 EPA), between Covanta Burnaby Renewable Energy, ULC (Covanta) and BC Hydro in relation to the SEEGEN municipal solid waste incineration plant (Filing). BC Hydro is seeking an Order from the Commission that the subject EPA is in the public interest and should be accepted for filing.

The Commission issued Letter L-14-14 on April 14, 2014 providing stakeholders the opportunity to provide submissions on the need for a hearing to determine if the subject 2014 EPA is in the public interest and providing BC Hydro the opportunity to submit reply comments.

Submissions were received from the following eight parties over the period from April 15 to April 28, 2014: British Columbia Pensioners' and Seniors' Organization *et al.*, BC Sustainable Energy Association and the Sierra Club British Columbia, Commercial Energy Consumers Association of BC, FortisBC Inc., Fraser Valley Regional District, Metro Vancouver, NextUse Recycling Ltd., and Vanport Sterilizers Inc. BC Hydro submitted its reply comments on May 2, 2014.

Some parties raised no issues while other parties identified a number of issues. Some issues raised by the parties do not appear to be relevant to the section 71 filing. Letter L-14-14 described the information and factors the Commission would consider necessary to determine whether an energy supply contract is in the public interest under section 71 of the UCA.

Issues raised by the parties that are considered within the scope of the EPA review include the following:

- whether the energy sourced from Covanta is clean or renewable;

- whether and what risks to the 2014 EPA exist given that SEESEN facility's application for an operational certificate is not finalized;
- that the 2014 EPA's impact on GHG emission levels is not known;
- how price was determined to assess BC Hydro's justification of cost effectiveness;
- whether there is a need to acquire energy by BC Hydro;
- whether any price above the seller's market price subsidizes the incinerator alternative giving it a competitive advantage;
- that the 2014 EPA energy is not considered clean energy in other jurisdictions into which this power may be exported; and
- that no new jobs are created by the 2014 EPA.

The Commission has reviewed the Filing and the submissions received and requires additional information before making any determinations on the propriety of the EPA, or whether a hearing into the propriety of the EPA is required under section 71 of the *Utilities Commission Act*. The additional information requested is outlined in Appendix A to this Letter.

In recognition of BC Hydro's request for an expedited review, BC Hydro is requested to provide its response to this Letter in writing by **Thursday, June 12, 2014**. Additionally, for information and transparency, BC Hydro is requested to provide a copy of its response to this Letter to Covanta Burnaby Renewable Energy, ULC, the City of Burnaby, the Ministry of Environment, and all other parties who provided a response to Commission Letter L-14-14 dated April 14, 2014.

Yours truly,

Erica Hamilton

CMM/yl  
Enclosure

British Columbia Hydro and Power Authority  
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**Items for Additional Clarification**

1. Regarding British Columbia's Energy Objectives:

- 1.1 Please elaborate further on the nature of the SEEGEN facility and production of clean or renewable energy. Is all or a portion of the electricity clean or renewable as defined by the *Clean Energy Act*? Please elaborate.
- 1.2 If all or a portion of the energy is not clean or renewable, what weight, if any, should the Commission put on this factor to determine whether the 2014 EPA is in the public interest? Please explain.

On page 2 of BC Hydro's reply comments, BC Hydro confirms that "regardless of whether or not the 2014 EPA is a "clean or renewable resource", it will not affect BC Hydro's ability to meet or exceed the 93 percent clean or renewable objective."

- 1.3 Please elaborate on how the ability to meet the 93 percent clean or renewable objective is determined and include reference to the relevant section of the 2013 IRP approved by the government.
- 1.4 Does the source energy for the 2014 EPA use and foster the development in British Columbia of innovative technologies that support energy conservation and efficiency and the use of clean or renewable resources? If so, please explain.
- 1.5 Does the SEEGEN facility reduce British Columbia greenhouse gas emissions? If so, please explain.
- 1.6 Does the 2014 EPA encourage the switching from one kind of energy source or use to another that decreases greenhouse gas emissions in British Columbia? If so, please explain.
- 1.7 Does the 2014 EPA encourage communities to reduce greenhouse gas emissions and use energy efficiently? If so, please explain.
- 1.8 Does the 2014 EPA reduce waste by encouraging the use of waste heat, biogas or biomass? If so, please explain.
- 1.9 Does the 2014 EPA encourage economic development and the creation and retention of jobs? If so, please explain.
- 1.10 What, if any, impact does the 2014 EPA have on BC Hydro's ability to be a net exporter of electricity from clean or renewable resources with the intention of benefiting all British Columbians and reducing greenhouse gas emissions in regions in which British Columbia trades electricity while protecting the interests of persons who receive or may receive service in British Columbia? Please explain.

2. Regarding how the 2014 EPA may impact the SEEGEN Facility Operations:

On page 3 of the Filing, BC Hydro states: “The 2014 EPA became effective on January 1, 2014 and expires on March 2, 2025 for a total term of 11.2 years. The March 2, 2025 date corresponds with the expiry of the facility operating agreement between Covanta and GVS&DD, which is contained in Appendix 9 of the 2014 EPA (Appendix B of the Filing).”

- 2.1 Would the SEEGEN facility continue operations without change during the term of the 2014 EPA if there was no accepted 2014 EPA with BC Hydro? Please elaborate.
- 2.2 Does the 2014 EPA impact in any way the GHG emissions emitted from the SEEGEN facility during the term of the 2014 EPA? If so, please explain.

3. Regarding Energy Supply Contract Terms and Conditions:

What are the implications and risks to the 2014 EPA if the Ministry of Environment operational certificate is not granted or if there are substantial operational changes required? What is the possibility of substantial operational changes that may affect the 2014 EPA?

- 3.1 Does the 2014 EPA have appropriate termination rights and penalties reflected in the price to cover any and all risk associated from the outstanding operational certificate and/or the potential non-supply of the contracted energy during the term of the 2014 EPA? Please provide the reference to the applicable term or clause in the 2014 EPA.
- 3.2 What are Covanta’s rights and recourse under the contractual terms of the 2014 EPA if it is not able to obtain a full operational certificate?
- 3.3 If the SEEGEN facility had an operational certificate that only allowed it to fulfill half of the energy commitments to BC Hydro, please elaborate on the contractual recourse options available to BC Hydro in the 2014 EPA?
- 3.4 What is the current status of the operational certificate? If it has not been issued, what additional process remains, and what is the expected timing of issuance?

4. Regarding the Need for the 2014 EPA:

In Footnote 9 on page 8 of the Filing, BC Hydro states: “In the approved 2013 IRP, BC Hydro assumed that the Original 2003 EPA would be renewed. The energy and capacity associated with the 2014 EPA is included in the LRBs shown in section 4.2.6, Chapter 9 and Appendix 9a of the IRP. In Appendix 9a, the EPA is included in Tables 1 and 2 under the heading ‘IPP Renewals (100% for everything except biomass)’ – ‘Pre-F06 Call EPAs (incl. Rio Tinto Alcan)’; and in Tables 3, 4, 5, 6, 7, 8, 9 and 10 under the heading ‘IPP Renewals’.”

- 4.1 For Tables 1 and 2 in Appendix 9a of the approved 2013 IRP, please provide the energy and capacity quantity, as applicable, that is attributable to the 2014 EPA in the total quantity shown for the line item “IPP Renewals (100% for everything except biomass)” – “Pre-F06 Call EPAs (incl. Rio Tinto Alcan)”.
- 4.2 For Tables 3, 4, 5, 6, 7, 8, 9, and 10 in Appendix 9a of the approved 2013 IRP, please provide the energy and capacity quantity, as applicable, that is attributable to the 2014 EPA in the total quantity shown for the line item “IPP Renewals.”

5. Regarding Long-term, Firm and Reliable Power:

On page 6 of the Filing and again on page 21 of Appendix C of the Filing BC Hydro discusses the nature of the Mid-C market as compared to the SEEGEN electricity product.

“Market Price – A proxy for the Seller’s market price is the levelized B.C.-Border spot market sell price<sup>5</sup> over the contract period, which is about \$24/MWh (\$2013). Note that this market price does not consider the full value of the SEEGEN electricity product, which includes the benefits as described above.” Footnote 5 states: “The B.C. Border spot market sell price is based on pricing at the Mid-C trading hub less costs of delivery (wheeling and losses) from the B.C. Border to Mid-C.”

BC Hydro anticipates Mid-C spot market prices to range “from about \$25/MWh to \$40/MWh over the next 20 years”. BC Hydro notes that the “spot market provides non-firm energy and no capacity, and generally has a term of one hour.”<sup>15</sup> Footnote 15 states: “Market forward fixed-price contracts are available for terms of up to five years, with less liquidity in later years.”

- 5.1 Please elaborate further on footnote 15. Does BC Hydro have information on market forward fixed-price contracts for a term of 10 years? If so, what is the indicative pricing and elaborate on the nature of the available energy product (spot price or long-term fixed price, firm/non-firm, capacity included/no capacity, liquidity, risk, reliability, etc.)
- 5.2 Are delivered market forward fixed long term price contracts as firm and as reliable as Covanta in the 2014 EPA? Please elaborate.