



ORDER NUMBER
G-199-17

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority
Waneta 2017 Transaction Application

BEFORE:

D. M. Morton
R. I. Mason

on December 22, 2017

ORDER

WHEREAS:

- A. On October 30, 2017, the British Columbia Hydro and Power Authority made an application requesting the following orders from the British Columbia Utilities Commission (Commission):
1. Pursuant to section 44.2(3) of the *Utilities Commission Act (UCA)*, acceptance of the expenditure schedule in regard to the Waneta 2017 Transaction as shown in the filing;
 2. Pursuant to sections 58–61 of the UCA, approval of the Teck Wheeling Agreement and Waneta Interconnection Agreement; and
 3. Pursuant to section 49(a) of the UCA, approval of three adjustments to the Non-Heritage Deferral Account (NHDA) as described in the filing (Application);
- B. The Waneta Dam is a concrete hydroelectric dam located close to the Canada-US border, near the mouth of the Pend d'Oreille River just before it enters the Columbia River, near Trail, BC. The Waneta Dam was originally constructed in 1954 to generate power specifically for use at Teck Metals Ltd.'s (Teck) Trail smelter. Generating units at the dam have a capacity of approximately 490 Megawatts (MW) and they currently produce approximately 2,670 Gigawatt hours per year. In 2010, BC Hydro purchased a one-third interest in Waneta for \$825 million (the Waneta 2010 Transaction). Teck remained the owner of the remaining two-thirds interest;
- C. As part of the Waneta 2010 Transaction, a right of first offer (ROFO) was established in regard to the subsequent sale by either party of their interest in Waneta, which permitted the non-selling party the first right to acquire the seller's interest. In May 2017, following a competitive sales process, Teck informed BC Hydro that it had reached an agreement to sell its two-thirds interest in Waneta and related transmission assets to Fortis Inc. for \$1.2 billion;

- D. On June 1, 2017, Teck delivered a Sale Notice to BC Hydro which provided BC Hydro with the opportunity to match Fortis Inc.'s offer and purchase Teck's two-thirds interest in Waneta under terms substantially equivalent to the Fortis offer. On August 1, 2017, BC Hydro delivered a Reply Notice to Teck which, together with the Sale Notice, constituted BC Hydro's legally binding election to purchase Teck's two-thirds interest in the Waneta Dam and associated assets. Attached to the Reply Notice was an executed Waneta Purchase Agreement which sets out the sale by Teck and purchase by BC Hydro of Teck's two-thirds interest in Waneta for \$1.203 billion cash. The parties agreed that closing of the Waneta 2017 Transaction must occur by August 1, 2018;
- E. A key term of the Waneta 2017 Transaction is that the two-thirds interest in Waneta will be leased to Teck for a 20-year period (extendable to 30 years at Teck's option) in consideration of lease payments from Teck to BC Hydro;
- F. Upon expiration or earlier termination of the lease, BC Hydro will purchase Teck's transmission assets, including Line 71 (collectively, the Transmission Assets) for \$20 million. After the lease period has ended, and after BC Hydro has acquired the Transmission Assets, BC Hydro will provide a transmission wheeling service to Teck between the US border and Teck's smelter load, pursuant to the Teck Wheeling Agreement, as well as certain ancillary services, pursuant to the Waneta Interconnection Agreement;
- G. On November 24, 2017, pursuant to Order G-169-17, the Commission determined a public hearing is necessary for the review of the Application and established a regulatory timetable including intervenor registration, one round of information requests and further process to be determined.
- H. On December 7, 2017, FortisBC Inc. (FBC) submitted a letter to the Commission requesting an extension of the deadline for intervenor information requests. FBC further indicated it contemplates a second round of information requests and procedural conference will be required;
- I. On December 12, 2017 BC Hydro submitted a letter to the Commission supporting FBC's requested delay, and with proposed dates for extension. BC Hydro further indicated its support for a second round of information requests;
- J. By letter dated December 14, 2017, the Commission extended the regulatory timetable further to FBC's request, and to BC Hydro's reply supporting the requested delay; and
- K. The Commission has determined that a further regulatory timetable for the review of the Application should be established including a Community Input Session and an extension to the deadline for intervenor registration.

NOW THEREFORE the Commission orders as follows:

1. A further regulatory timetable for the review of BC Hydro's Waneta 2017 Transaction Application is established as set out in Appendix A to this order.
2. A Commission-hosted transcribed Community Input Session is scheduled for January 13, 2018 at 1 p.m. in Castlegar at the Brit Fireside Inn Hotel & Conference Centre (Columbia Room) at 1810 – 8th Avenue, Castlegar, British Columbia. The Community Input Session is open to the general public and no registration is required.
3. Intervenor registration is extended until Friday, January 19, 2018.

4. Interveners who wish to participate in the regulatory proceeding are to register with the Commission by completing a Request to Intervene Form, available on the Commission's website at <http://www.bcuc.com/forms/request-to-intervene.aspx>, by the extended deadline of Friday, January 19, 2018 in accordance with the Commission's Rules of Practice and Procedure.

DATED at the City of Vancouver, in the Province of British Columbia, this 22nd day of December 2017.

BY ORDER

Original signed by:

D. M. Morton
Commissioner

Attachment

British Columbia Hydro and Power Authority
Waneta 2017 Transaction Application

REGULATORY TIMETABLE

Action	Date (2018)
Intervener information request no. 1	Friday, January 5
Community Input Session	Saturday, January 13
Extended intervener registration	Friday, January 19
BC Hydro response to information request no. 1	Friday, January 26
Commission information request no. 2	Friday, February 2
Intervener information request no. 2	Friday, February 9
BC Hydro response to information request no. 2	Wednesday, February 21
Further process	To be determined