



DEC 17 2008

Mr. Len Kelsey
Chair and Chief Executive Officer
British Columbia Utilities Commission
Box 250
900 Howe Street, Sixth Floor
Vancouver, BC V6Z 2N3

Dear Mr. Kelsey:

On July 17, 2008, I wrote to Mr. Robert Hobbs, then Chair and Chief Executive Officer of the British Columbia Utilities Commission (BCUC), to inform him that the Minister of Energy, Mines and Petroleum Resources intends to provide Terms of Reference for the BCUC inquiry required under Section 5 of the *Utilities Commission Act*.

Please find enclosed the Terms of Reference for the inquiry signed by the Minister.

Please feel free to contact me if you have any questions or concerns.

Yours truly,


Greg Reimer
Deputy Minister

Enclosure

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Ministry of
Energy, Mines and
Petroleum Resources

Office of the
Deputy Minister

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pc: Mr. Bob Elton
President and Chief Executive Officer
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Mr. David Emerson
President and Chief Executive Officer
British Columbia Transmission Corporation

Mr. John Walker
President and Chief Executive Officer
FortisBC

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TERMS OF REFERENCE

IN THE MATTER OF the *Utilities Commission Act* (the *Act*)

and

IN THE MATTER OF an Inquiry Under Section 5(4) of the *Act* relating to
British Columbia's Electricity Transmission Infrastructure and Capacity Needs
for the Next 30 Years

WHEREAS on February 27, 2007, the Province of British Columbia announced
The BC Energy Plan: A Vision for Clean Energy Leadership (Energy Plan); and

WHEREAS the *Act* and regulations issued under the *Act* provide that the
BC Hydro and Power Authority (BC Hydro) is to achieve energy and capacity
self-sufficiency by 2016 and maintain self-sufficiency each year after achieving it,
which includes an additional 3,000 gigawatt-hours (GWh) of supply per year from
electricity generating facilities within the Province as soon as practicable but no
later than 2026, and the *Act* provides that other public utilities, in planning for the
construction or extension of generation facilities and energy purchases, must
consider the Government's goal that British Columbia be electricity self-sufficient
by the 2016 calendar year and maintain self-sufficiency after that year; and

WHEREAS the long lead times associated with electricity transmission system
development and the planning of the system to meet near-term needs can result in
insufficient capacity, under-sized electricity transmission infrastructure, an
excessive number of transmission corridors and limitations on economic
development in an area; and

WHEREAS a planned and rational expansion of the electricity transmission
system that considers current requirements, the needs that will likely arise in the
future, and the desirability of minimizing impacts in supplying these needs is in
the best interest of British Columbians from a social, environmental and economic
perspective; and

WHEREAS the Energy Plan sets a goal of ensuring that 90 percent of total
electricity generation in British Columbia is from clean or renewable sources,
and thermal generation will be required to have zero net emissions of greenhouse
gases, or, in the case of coal fired generation facilities, will be required to capture
and store or sequester greenhouse gas emissions; and

WHEREAS under the *Greenhouse Gas Reduction Targets Act*, the Province of
British Columbia has established targets for the purpose of reducing
British Columbia greenhouse gas emissions by 2020 and 2050; and

1 WHEREAS on April 20, 2007, British Columbia became a partner in the Western
2 Climate Initiative and subsequently signed Memoranda of Understanding with
3 California and Washington in which it was agreed to support and adopt policies to
4 create more renewable energy generation and transmission; and
5

6 WHEREAS industries, businesses and individuals in British Columbia, and other
7 jurisdictions, may increase their use of electricity with low life cycle greenhouse
8 gas emissions as a way to reduce their greenhouse gas emissions; and
9

10 WHEREAS the 2007 Speech from the Throne stated that Government will pursue
11 British Columbia's potential as a net exporter of clean, renewable energy; and
12

13 WHEREAS trade in electric power with other jurisdictions helps generate revenue to
14 BC Hydro, and this revenue reduces total revenues required to be collected from
15 domestic customers; and
16

17 WHEREAS the British Columbia Transmission Corporation's (BCTC's) open
18 access transmission tariff will, subject to any change approved by the
19 British Columbia Utilities Commission (the Commission), continue to provide
20 customers the opportunity to request and contract for transmission services,
21 including interconnection and wheeling services; and
22

23 WHEREAS there is a need to fully consider the potential long-term regional
24 development of generation resources and the long-term transmission needs to
25 access those resources; and
26

27 WHEREAS subsection 5(4) of the *Act* provides that the Commission must
28 conduct an inquiry to make determinations with respect to British Columbia's
29 infrastructure and capacity needs for electricity transmission and, pursuant to
30 subsection 5(5), must commence that inquiry by March 31, 2009 unless otherwise
31 ordered by the Lieutenant Governor in Council; and
32

33 WHEREAS following the determinations made in the inquiry, applications for
34 Certificates of Public Convenience and Necessity or other regulatory filings to be
35 filed with the Commission under the *Act*, will be brought forward to pursue specific
36 transmission projects to address the needs determined in the inquiry; and
37

38 WHEREAS subsection 5(7) of the *Act* provides that the Minister responsible for the
39 administration of the *Hydro and Power Authority Act* (Minister) may declare, by
40 regulation, that the Commission may not, during the period specified in the
41 regulation, reconsider, vary or rescind a determination made under subsection 5(4)
42 of the *Act*; and

1
2 WHEREAS subsection 5(6) of the *Act* provides that the Minister may specify, by
3 order, terms of reference requiring and empowering the Commission to inquire
4 into the matters referred to in subsection 5(4) of the *Act* including terms of
5 reference regarding the manner in which and the time by which the Commission
6 must issue its determination;
7

8 NOW THEREFORE I order that the following Terms of Reference are specified pursuant
9 to subsection 5(6) of the *Act*:
10

11 1. In these Terms of Reference,
12

13 "load-serving utilities" means BC Hydro and FortisBC Inc.; and
14 "transmission service providers" means BCTC and FortisBC Inc.
15

16 2. The general purpose of this inquiry is for the Commission to make determinations with
17 respect to British Columbia's electricity transmission infrastructure and capacity needs
18 for a 30-year period, commencing from the date this inquiry begins (the "Determination
19 Period").
20

21 3. The Commission must assess:
22

23 (a) the generation resources in British Columbia that will potentially be developed
24 during the Determination Period, grouped by geographic location, considering:
25

26 (i) the electricity resource potential identified in the BC Hydro 2008
27 Long Term Acquisition Plan, if accepted, or any other long-term
28 resource plans filed and accepted under the *Act*, and electricity
29 resource potential identified in any evidence filed in the inquiry;
30

31 (ii) their generating capability, type, and geographic area;
32

33 (iii) that certain areas in British Columbia will be inappropriate for the
34 development of generation resources, such as, but not limited to,
35 parks and protected areas;
36

37 (iv) that electricity resources will be required to be developed to serve
38 the electrical energy and capacity requirements of the load-serving
39 utilities taking into account the objectives of the Energy Plan, the
40 provisions of the *Act* and regulations issued under the *Act*;
41

42 (v) potential future market opportunities to export clean or renewable or
43 low-carbon electricity to other jurisdictions that is surplus to the
44 requirements of load-serving utilities in British Columbia; and
45

1 (b) the most cost-effective and most probable sequence(s) of development by
2 geographic area, in accordance with existing legislation and regulations, of the
3 generation resources referred to in subparagraph 3(a).
4

5 4. The Commission must make determinations respecting the need for, and timing of,
6 additional transmission infrastructure and capacity, within the Determination Period,
7 that would allow for:
8

9 (a) the supply and delivery of electricity as assessed under paragraph 3; and
10

11 (b) improved electricity transmission intertie capacity between British Columbia and
12 the United States or Alberta that can be used effectively to permit continued
13 optimization of the electricity system in British Columbia, and to support the
14 export of surplus electricity as assessed under paragraph 3.
15

16 5. In making the determinations referred to in paragraph 4, the Commission may not
17

18 (a) make determinations on the merits of specific generation projects; or
19

20 (b) make determinations with respect to the specific routing or technological
21 specifications of electricity transmission projects.
22

23 6. In making the assessment under paragraph 3, and the determinations under paragraph 4,
24 the Commission must:
25

26 (a) take a long-term view of transmission development, in which long-term needs
27 are considered along with immediate needs, with the view to support:
28

29 (i) additional transmission infrastructure and capacity that would
30 accommodate reasonably foreseeable resource and economic
31 development; and
32

33 (ii) an efficient development of transmission that would avoid multiple
34 transmission lines when, for example, one appropriately sized
35 transmission line would serve the need in the foreseeable future; and
36

37 (b) recognize and take account of the following:
38

39 (i) British Columbia is to achieve energy and capacity self-sufficiency by
40 2016 and maintain self-sufficiency after achieving it, which for
41 BC Hydro includes an additional 3,000 GWh of supply per year from
42 electricity generating facilities within the Province as soon as
43 practicable but no later than 2026;
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45 (ii) British Columbia's clean or renewable electricity will continue to
46 account for at least 90 percent of total generation;

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- (iii) allowing only for transmission development based on near-term need creates a barrier which can hinder future resource development and economic growth in British Columbia, particularly where that growth would comprise initiatives from several smaller developments, rather than a single development;
- (iv) it is desirable to support the most efficient use of generation resources from a Province-wide perspective;
- (v) development and use of clean or renewable electricity resources will support meeting British Columbia's commitment to reducing greenhouse gas emissions by 2020 and for each subsequent calendar year to at least 33 percent less than the level of those emissions in 2007, and by 2050 and for each subsequent calendar year to at least 80 percent less than the level of those emissions in 2007;
- (vi) other jurisdictions will continue to pursue the reduction of greenhouse gas emissions and increase the use of renewable energy, and development and use of British Columbia's clean or renewable electricity resources may help other jurisdictions meet their goals and create economic opportunities in British Columbia;
- (vii) it is desirable to maximize the net benefit from trade in electric power with neighbouring jurisdictions in the United States and Alberta; and
- (viii) Government has committed to transmission capacity north of Skeena substation extending at least to Bob Quinn Lake having a capacity of at least 287 kilovolts through partnership with the private sector to fund such transmission capacity.

7. In addition to other evidence and submissions, and subject to paragraph (6) and (8), in making the assessments referred to in paragraph (3) and the determinations referred to in paragraph (4), the Commission must have regard for:

- (a) the load-serving utilities' long-term resource plans filed under section 44.1 of the *Act*, including their most recently filed and relevant contingency resource plans as accepted by the Commission;

1 (b) any long-term plans of the transmission service providers filed and reviewed
2 under section 44.1 of the *Act*, and any expenditure schedules of the
3 transmission service providers filed under section 44.2 of the *Act*, and any
4 decisions with respect to these plans issued by the Commission in the course
5 of this inquiry; and
6

7 (c) evidence regarding the load-serving utilities' energy and capacity
8 requirements under scenarios that in the Commission's opinion are
9 reasonable, and reflect considerations detailed in paragraph 6, which may not
10 be adequately addressed within the load-serving utilities' most recently filed
11 long-term resource plans, including scenarios in which, during the
12 Determination Period;
13

14 (i) there is an increase in electricity use, substituting for other forms of
15 energy, as a means of reducing greenhouse gas emissions; and
16

17 (ii) the potential for long-term economic expansion in areas of
18 British Columbia, such as the northeast region of British Columbia,
19 is explicitly incorporated.
20

21 8. In addition to any other evidence and submissions relevant to the inquiry that the load-
22 serving utilities may wish to provide, if not adequately addressed in their most recently
23 approved long-term resource plans, the Commission must allow the load-serving utilities
24 to provide evidence and submissions regarding:
25

26 (a) their electrical energy and capacity requirements for the Determination
27 Period;
28

29 (b) the facilities they would intend to construct, extend or expand, and the volume
30 of purchases of electricity from other persons they would intend to make, in
31 order to meet these requirements in the Determination Period;
32

33 (c) the most cost-effective and most probable sequence of development, by
34 geographic area, of the facilities and the energy sources allowing for the
35 purchases referred to in paragraph (8)(b).
36

37 9. The Commission must invite and have regard for evidence and submissions from the
38 transmission service providers with respect to the specific determinations the
39 Commission should make respecting the need for, and timing of, additional
40 transmission infrastructure and capacity within the Determination Period, and must
41 allow the transmission service providers to provide evidence and submissions on any
42 other matter that is relevant to this inquiry.
43

1 10. For the purposes of conducting this inquiry, the Commission:

- 2
- 3 (a) must invite and consider submissions, evidence and presentations from any
- 4 interested person, including, without limitation, First Nations, communities,
- 5 municipal and regional governments, other utilities, power producers,
- 6 ratepayer groups and environmental non-governmental organizations;
- 7
- 8 (b) may use all of the powers provided to it under the *Act*;
- 9
- 10 (c) may make use of procedures to resolve specific issues within these Terms of
- 11 Reference, including, as it considers appropriate, workshops, mediations,
- 12 dispute resolution mechanisms, pre-hearing conferences, working groups and
- 13 oral and written public hearings; and
- 14
- 15 (d) may not complete the evidentiary portion of the inquiry until the current
- 16 BC Hydro 2008 Long Term Acquisition Plan proceeding, Commission Project
- 17 No. 3698514, has been completed and a decision has been issued.
- 18

19 11. The Commission must prepare a report containing its determinations and reasons for

20 the determinations and must provide the report to the Minister of Energy, Mines and

21 Petroleum Resources.

22

23 12. Before finalizing its report, the Commission must:

24

- 25 (a) publish a draft report, setting out the Commission's determinations,
- 26
- 27 (b) for a period of 30 days, provide an opportunity for the public to make written
- 28 comments to the Commission on the draft report, and make such comments
- 29 publicly available;
- 30
- 31 (c) provide for an additional period of comment, of a duration that in the
- 32 Commission's opinion is appropriate in order to give a reasonable opportunity
- 33 for the public to respond in writing to the comments referred to in
- 34 subparagraph (b); and
- 35
- 36 (d) incorporate, as it considers appropriate, the comments and responses referred
- 37 to in subparagraphs (b) and (c) into the report referred to in paragraph 11.
- 38

39 13. The Commission must publish the draft report referred to in subparagraph 12(a) on or

40 before June 30, 2010.

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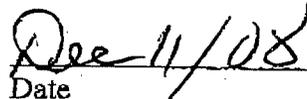
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46 Honourable Richard Neufeld

47 Minister of Energy, Mines and Petroleum Resources



Date