



APR 03 2012

Ms. Alanna Gillis
Acting Commission Secretary
British Columbia Utilities Commission

Email: Commission.Secretary@bcuc.com

Dear Ms. Gillis:

**Re: Project No. 3698640
BC Hydro Certificate of Public Convenience and Necessity Application for the
Dawson Creek/Chetwynd Area Transmission Project**

The purpose of this letter is to support BC Hydro's March 23, 2012 submission on the appropriate scope of the Dawson Creek/Chetwynd Area Transmission (DCAT) Project Certificate of Public Convenience and Necessity (CPCN) proceeding.

As BC Hydro has identified in its March 23, 2012 letter, the Round 3 Information Requests have raised the following five general policy issues:

1. Whether rolled in rate principles should continue to apply on the BC Hydro system;
2. Whether distinctions should be made between old and new customers for ratemaking and service level purposes;
3. Whether postage stamp rates, which have been in effect since BC Hydro was created in 1962, remain appropriate on the BC Hydro system;
4. Whether BC Hydro's N-1 service standard, adopted as part of the North American Mandatory Reliability Standards regime and approved by the British Columbia Utilities Commission (BCUC), remains the appropriate service standard; and
5. Whether consideration of the DCAT Project requires the BCUC to consider province-wide system planning issues to make explicit trade-offs between British Columbia's energy objectives set out in the *Clean Energy Act*?

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The Ministry of Energy and Mines (Ministry) understands that industrial electricity policy is important to the BCUC and interveners. However, it is the Ministry's position that the first three of these questions require broader stakeholder input than would be available in a CPCN proceeding, and that the DCAT CPCN proceeding, therefore, is not the appropriate forum to consider them. The Ministry believes the first three questions identified above could and should be addressed separately in a process that would result in recommendations to the Government, and this letter is intended to assure the BCUC that such a process is being planned by the Government.

In light of evolving provincial economic development, energy and environmental priorities, including the new direction for provincial energy policy announced on February 3, 2012 and available at http://www.gov.bc.ca/ener/natural_gas_strategy.html, the Government plans to undertake a broader review of industrial electricity policy, including retail access.

Specifically, the Government intends to establish a public process that will address rate design issues, including but not limited to, the first three policy questions identified above as they relate to industrial rates. The process will include input from the Ministry, BC Hydro, the BCUC, customer groups, and other interested parties, and is intended to result in formal recommendations to the Government. The Ministry intends to consult with interested parties on terms of reference, and initiate the process after the BCUC makes its final decision on BC Hydro's 2012-2014 Revenue Requirements Application.

The fourth and fifth issues identified in BC Hydro's March 23, 2012 letter are also appropriately dealt with elsewhere. Section 125.2 of the *Utilities Commission Act* provides the BCUC with exclusive jurisdiction to require BC Hydro to adopt a reliability standard for its system, if it is found to be in the public interest. The Government believes that the statutory process established to consider reliability standards is the appropriate place to consider the N-1 standard. Similarly, province-wide system planning issues and trade-offs should be considered in the processes that have been established for developing and reviewing BC Hydro's integrated resource plan under the *Clean Energy Act*.

Based on the availability of these preferred processes, the Ministry supports BC Hydro's request to exclude from this proceeding the five issues it has identified. This approach would enable the DCAT CPCN proceeding to move forward expeditiously, while ensuring suitable forums to discuss broader policy and rate design matters exist.

The Ministry trusts that this letter and proposed public consultation on rate design matters will assist the BCUC in determining the appropriate scope of discussion for the DCAT CPCN proceeding.

Thank you for your consideration.

Sincerely,



for Steve Carr
Deputy Minister