

**Fred James**

Chief Regulatory Officer

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January 31, 2018

Mr. Patrick Wruck
 Commission Secretary and Manager
 Regulatory Support
 British Columbia Utilities Commission
 Suite 410, 900 Howe Street
 Vancouver, BC V6Z 2N3

Dear Mr. Wruck:

**RE: Project No. 1598933
 British Columbia Utilities Commission (BCUC or Commission)
 British Columbia Hydro and Power Authority (BC Hydro)
 Waneta 2017 Transaction Application – Transmission Agreements**

BC Hydro writes in accordance with Commission Order No. G-15-18 (Exhibit A-10) and further to its submissions of January 26, 2017.

Under cover of this letter BC Hydro files the following:

Exhibit B-12	Transmission Agreements
Exhibit B-13	Revised Draft Order

BC Hydro is submitting as Exhibit B-12 the following documents that collectively make up the Transmission Agreement filing including:

1. Transmission Agreements Summary
2. Executed letter agreement between Teck Metals Ltd. (Teck) and BC Hydro attaching as schedules the Transmission Agreements as follows:
 - Schedule A - Waneta Transmission Agreement;
 - Schedule B - Teck Wheeling Agreement; and
 - Schedule C - Waneta Interconnection Agreement
3. Table of Concordance

In the Application BC Hydro explained that the Waneta Interconnection Agreement would be filed with the Commission for approval as a “rate” because of certain regulated transmission-related ancillary services expected to be included within it that were to be provided by BC Hydro to Teck. Over the course of negotiating the Transmission

Agreements, it became apparent that those ancillary services were more closely aligned with the related services in the Teck Wheeling Agreement. Moreover, there was no good reason to contractually separate those services from the related wheeling services that are the subject of the Teck Wheeling Agreement and which requires Commission approval in any event. Accordingly, the latter agreement now accounts for the provision by BC Hydro of all regulated services to Teck, and the former agreement no longer requires an express Commission approval.

To reflect this change, BC Hydro also files a revised Draft Order to the Waneta 2017 Transaction Application as Exhibit B-13. This revised Draft Order is the same as that attached to the Application at Appendix A, except that the words “and Waneta Interconnection Agreement” have been struck from numbered paragraph 2 of page 2 of that draft order (shown in blackline). BC Hydro respectfully submits that this change is minor, and will not affect the proceeding in regard to process or substance.

With respect to the Commission’s letter of today (Exhibit A-11), BC Hydro is providing the Transmission Agreements and a revised Draft Order with this filing. BC Hydro is also filing the remaining IRs today under separate cover. In addition, BC Hydro expects to file its Risk Register and errata to the Application by Friday, February 2, 2018. As a result, BC Hydro believes that there is no significant risk to delay in the requested schedule. Therefore, there is no need for further process as contemplated in the Commission’s letter.

For further information, please contact Geoff Higgins at 604-623-4121 or by email at bchydroregulatorygroup@bchydro.com.

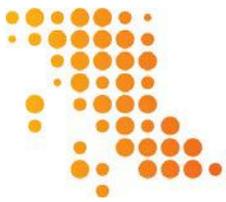
Yours sincerely,



Fred James
Chief Regulatory Officer

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Enclosure



ORDER NUMBER

G-xx-xx

IN THE MATTER OF

the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority (**BC Hydro**)

Acquisition From Teck Metals Ltd. (**Teck**) of an Undivided Two-Thirds Interest in the Waneta Dam and Associated Assets (the **Waneta 2017 Transaction**)

Before:

on Date

ORDER

WHEREAS:

- A. Since 2010, BC Hydro has been the owner of an undivided one-third interest in the Waneta dam and associated assets which it purchased from Teck for \$825 million (the **Waneta 2010 Transaction**). Teck is the owner of the remaining two-thirds interest. The Waneta 2010 Transaction was approved by the Commission pursuant to Order No. G-12-10 on February 23, 2010;
- B. 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 and which permitted the non-selling party the first right to acquire the seller’s interest;
- C. 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;
- E. 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;

- F. 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.
- G. 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;
- H. 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;
- I. 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 U.S. border and Teck's smelter load, pursuant to the Teck Wheeling Agreement, as well as certain ancillary services, pursuant to the Waneta Interconnection Agreement;
- J. On October 30, 2017 BC Hydro made a filing (**Filing**) requesting the following orders from the British Columbia Utilities Commission (the **Commission**):
- a. Pursuant to section 44.2(3) of the *Utilities Commission Act* (the *UCA*), acceptance by the Commission of the expenditure schedule in regard to the Waneta 2017 Transaction as shown in the Filing;
 - b. Pursuant to sections 58-61 of the *UCA*, approval of the Teck Wheeling Agreement and Waneta Interconnection Agreement; and
 - c. Pursuant to section 49(a) of the *UCA*, approval of three adjustments to the Non-Heritage Deferral Account (**NHDA**) as described in the Filing;
- K. On October 30, 2017, BC Hydro filed the following agreements on the record of the proceeding:
- a. Waneta Transmission Agreement;
 - b. Teck Wheeling Agreement; and
 - c. Waneta Interconnection Agreement;
- L. On receipt of the Filing, the Commission has conducted a public hearing process as follows:
- a. [INSERT SUMMARY OF PROCESS]
- M. The Commission has considered the Filing, evidence and submissions of BC Hydro and all intervenors.

NOW THEREFORE the Commission orders as follows:

1. Pursuant to section 44.2(3)(a) of the *UCA*, the expenditure schedule contained in the Filing, consisting of a \$1.203 billion payment to Teck to acquire a two-thirds interest in Waneta; a \$20 million payment to Teck to acquire the Transmission Assets; and transaction costs up to \$50 million, is in the public interest and is accepted;
2. Pursuant to sections 58-61 of the *UCA*, approval of the Teck Wheeling Agreement and Waneta Interconnection Agreement, as filed;

3. Pursuant to section 49(a) of the *UCA*, approval of three adjustments to the NHDA, all as more fully described in the Filing, as follows:
 - a. BC Hydro may defer its fiscal 2019 incremental lease revenues arising from the Waneta 2017 Transaction to the NHDA;
 - b. BC Hydro may exclude the portion of year-to-year variances between forecast and actual water rentals arising from the Waneta 2017 Transaction from the water rental variances that are deferred to the NHDA; and
 - c. BC Hydro may defer the revenue it will be required to recognize from time to time in consequence of Teck's capital expenditures at Waneta to the NHDA until the end of the Lease Period.

DATED at the City of Vancouver, in the Province of British Columbia, this (XX) day of 2018.

BY ORDER

(X. X. last name)
Commissioner

Attachment Options



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G-xx-xx

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