

**IN THE MATTER OF the Utilities Commission Act, R.S.B.C. 1996, Chapter 473 and  
an Application by the BC Hydro and Power Authority for a Certificate of Public  
Convenience and Necessity for the Dawson Creek/Chetwynd Area Transmission  
Project.**

**Project No. 3698640/Order G-132-11**

**Final Written Submission of Air Liquide Canada**

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This is the final written submission of the Intervenor Air Liquide Canada ("Air Liquide").

1. Air Liquide adopts and supports the final submission of the BC Hydro and Power Authority ("BC Hydro"), and makes the following brief additional submissions, including responses to the matters identified by the Commission in its letter of June 15, 2012.
2. Air Liquide says that the DCAT Project should properly be seen as an entirely justifiable and uncontroversial build-out of BC Hydro's transmission network to meet existing and future needs in a rapidly growing area of the province.
3. Leaving aside First Nations consultation issues, which Air Liquide will not address in this submission, the only point of controversy appears to be a continuing attempt by one or more intervenors to revisit the merits of TS 6 (as opposed to its application to the DCAT Project), despite the fact that it has been ruled out of scope and is clearly beyond the jurisdiction of the Commission in this proceeding. Indeed, AMPC goes so far as to suggest that the DCAT Project should not be approved so long as TS 6 is in effect.<sup>1</sup>
4. As of the date of this submission, Air Liquide has now formally approved moving forward with its proposed \$60 million investment in a new Air Separation Unit ("ASU") to supply nitrogen to industrial customers, particularly those in the oil and gas sector in both northern British Columbia and Alberta. It expects to finalize a security agreement with BC Hydro in the near future.

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<sup>1</sup> AMPC's rationale for treating new industrial customers requiring service in the fastest growing area of the provincial economy in such an unfair manner, particularly in comparison to its own members, is not immediately apparent.

5. Accordingly, the estimates provided by BC Hydro in its final submission as to the percentage of the DCAT Project cost estimate covered by the security of the new customers should be seen as conservative, further reinforcing BC Hydro's submission that it finds itself in the truly remarkable position of expanding a key part of its system with virtually no risk, and a much lower than normal burden on existing ratepayers.

6. As the evidence clearly discloses, and as emphasized by BC Hydro in its final submission, Air Liquide is unable to make its significant investment in British Columbia without receiving service from BC Hydro, which it has a clear statutory obligation to provide.

7. Any further delay in the DCAT Project, and certainly the delay proposed by AMPC to allow for a general review of TS 6 in the processes identified by the Province (see Ex. C16-2), will effectively preclude Air Liquide from making its proposed investment in British Columbia.

8. No participant in this proceeding, including AMPC, has identified any error in BC Hydro's application of TS 6 to the DCAT Project. In the absence of any such error being identified, the Commission should approve the DCAT Project and leave a full and proper review of TS 6 for other processes.

9. We now turn to address the specific matters identified by the Commission in its June 15, 2012 letter.

**1. *Should the Guidelines apply to TS 6? If so, does TS 6 reasonably reflect the Guidelines?***

10. Air Liquide submits that the Guidelines should not be applied to TS 6. The Commission only has jurisdiction to apply the Guidelines insofar as they are consistent with TS 6. The Commission should properly make such a determination in the context of a larger rate review process in which all stakeholders can be heard. In light of our position that the Guidelines should not be applied, we will only briefly address the remaining questions.

2. ***The Guidelines recommend that, as a general principle, the costs and benefits to be considered in the analysis of proposed system extensions include "...net revenues from the system extension (i.e. customer payments less revenues to provide for commodity purchases and upstream transmission charges)." (p. 32)***

**2.1 *How does this section of the Guidelines apply to the determination of the Maximum Offset as calculated in TS 6, Appendix 1, clause 5(c)(ii)?***

11. TS 6, Appendix 1, clause 5(c)(ii) must be read and interpreted in the context of the *Heritage Contract Act*. There is nothing in that legislation which provides any support for the Commission having the authority to order new customers to pay the costs of "commodity purchases and upstream transmission charges". Further, the law is clear that such authority cannot be implied.

**2.2 *Assuming it is applicable, what is an appropriate cost for commodity purchases and upstream transmission charges to use in the calculation of the Maximum Offset?***

12. As above, Air Liquide submits that the Guidelines cannot be applied to impose such charges on new customers in the face of the language of TS 6 and the *Heritage Contract Act*.

3. ***TS 6, Appendix 1, clause 2 defines System Reinforcement such that it does not include any "additions or alterations to generation plant and associated transmission, or transmission lines at 500 kV and over," unless the new or incremental loads exceed 150 MV.A.***

***BC Hydro states that "System Reinforcement includes all costs BC Hydro will need to incur to permit its transmission system to provide service. It does not include any incremental generation costs incurred to provide service unless the customer load exceeds 150 MV.A. None of the DCAT Project customers has a load exceeding 150 MV.A." (Exhibit B - 22, Q 102).***

**3.1 *TS 6 states "additions or alterations to generation plant" while BC Hydro refers to it as "any incremental generation costs." Do "additions or alteration to generation plant" and/or "incremental generation costs" include costs for all potential sources of supply including the incremental costs to obtain electric energy from Independent Power Producers if required?***

13. Air Liquide submits that the definition of "System Reinforcement" in Appendix 1 of TS 6 is expressly limited to various parts of BC Hydro's physical plant and does not extend to the cost of obtaining electrical energy.

**3.2 Would it be appropriate to aggregate the five new customers identified in the Application for the purpose of interpreting the definition of System Reinforcement in TS 6, Appendix 1, clause 2, and consequently the inclusion of any "additions or alterations to generation plant" and/or "incremental generation" costs incurred to provide service to the new customer in the System Reinforcement calculation?**

14. Air Liquide says the answer to this question is "no", based on the express, singular definition of "Customer" in Appendix 1 of TS 6. Such an exercise would in any event be both discriminatory and unfair.

**3.3. Assuming it is appropriate to aggregate the five customers identified in the Application, what would the appropriate cost be for of any "additions or alterations to generation plant" and/or "incremental generation" costs incurred to provide service to the new customers?**

15. As above, Air Liquide says such aggregation is not appropriate, principally based on the clear and binding language of TS 6.

4. **TS 6, Appendix 1, clause 5(c)(ii) requires that the "first year of normal operation" be used to calculate the estimated incremental revenue and incremental operating and maintenance expenses. The System Extension Guidelines state that "... where customer contributions are required, the Commission recommends that the utilities develop a policy which requires at a minimum all customers who attach within the first five years to contribute to system extensions." (p. 26) The Systems Reinforcement definition in TS 6, Appendix 1, clause 2 does not specify a period of time for determining the 150 MV.A load threshold.**

**4.1 What period of time would be appropriate to ascertain if the 150 MV.A threshold is met; the first year of normal operations, the largest forecast load within five years of the system reinforcement being complete, the full 30-year forecast, or some other point/range of time?**

16. The only reasonable interpretation of the term “electricity” in the definition of “System Reinforcement” is the specific load volume to which a particular customer and BC Hydro commit themselves under a Facilities Agreement.

**5. When interpreting System Reinforcement in TS 6, Appendix 1, clause 2, should any subsequent reinforcement costs to the transmission system, such as the F2016 Stage GDAT Project (which is required to provide N-1 service to the new customers) be considered?**

**5.1 Assuming yes, how should the costs of these subsequent reinforcements be determined in the absence of firm project estimates?**

17. Given the past application of TS 6 to similarly situated customers, Air Liquide says that any attribution of future reinforcement costs to it or any other new customer would violate BC Hydro’s statutory obligation to provide service in a non-discriminatory manner.

**6. TS 6, Appendix 1, clause 3(a) states that it is the primary responsibility of the Customer to establish that the provision of electrical service by BC Hydro to the Customer’s Plant, is in the public interest.**

**6.1 Have the five customers demonstrated that the system reinforcement is in the public interest?**

18. Air Liquide adopts BC Hydro’s submission on the more circumscribed approach to the public interest intended in clause 3(a) of Appendix at to TS 6 (see p. 23 of BC Hydro Final Submissions). In any event, leaving aside the new customers, given the uncontroversial evidence that BC Hydro is unable to serve existing customers in the Dawson Creek area at the required level, there can be no serious debate that it has been established that the proposed system reinforcement is in the public interest.

**6.2 What public interest issues should the Commission consider in the application of TS 6 in this proceeding?**

**6.2.1 Should consideration be given to the total rate impact including the incremental capital and operating costs associated with the project, plus any cost of energy to service the incremental customer loads, or should consideration be limited to the rate impact caused by the incremental capital and operating costs only?**

19. Again, there is nothing in the language of TS 6 to suggest that the cost of energy required to service new customer loads should be taken into account by the Commission. In any event, as BC Hydro notes in its Final Submission, the cost will be the same regardless of which project alternative is used.

***6.2.2 Should consideration be limited to the DCAT Project or should consideration also be given to the 2016 Stage GDAT Project which is required to provide N-1 service?***

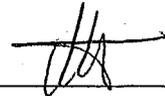
20. Consideration should be limited to the DCAT Project. The Commission would be required to engage in inappropriate speculation in the absence of having a proper CPCN application for the GDAT Project before it.

***7. Any other issue related to the Guidelines or the interpretation of TS 6 that may be applicable to the DCAT proceeding.***

21. Air Liquide also adopts the submissions of BC Hydro on these issues.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Dated at Vancouver this 2<sup>nd</sup> day of August, 2012.



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