

William J. Andrews

Barrister & Solicitor

1958 Parkside Lane, North Vancouver, BC, Canada, V7G 1X5
Phone: 604-924-0921, Fax: 604-924-0918, Email: wjandrews@shaw.ca

August 14, 2018

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC, V6Z 2N3
Attn: Patrick Wruck, Commission Secretary
By email: commission.secretary@bcuc.com

Dear Sir:

Re: British Columbia Hydro and Power Authority Electricity Purchase Agreement Extension Applications for Armstrong Wood Waste Co-Generation and NWE Williams Lake Wood Waste Facilities ~ Project No.1598954 Final Argument

I represent the interveners BC Sustainable Energy Association, Sierra Club BC, Rail Ties Be Wise, Patricia Weber, Jennifer Noble, Rodger Hamilton and Frances McCoubrey (BCSEA, *et al.*).¹ This is the final argument of BCSEA, *et al.*, pursuant to the regulatory timetable set out in Order G-123-18.² This argument responds to BC Hydro's August 7, 2018 final argument.³

BCSEA, *et al.*, respectfully submit that the EPA Extensions are in the public interest and should be accepted by the Commission under s.71 of the *Utilities Commission Act*.

In support of this position, BCSEA, *et al.*, highlight the following factors:

1. Atlantic Power is committed by contract with BC Hydro not to burn retired rail ties at the NWE Facility during the period the NWE Extension Agreement is in effect.⁴ BCSEA, *et al.*, are opposed to the future possibility of BC Hydro buying power generated from burning retired rail ties at the NWE Facility. However, BCSEA, *et al.*, are satisfied that neither the NWE Extension Agreement⁵ nor the Tolko Armstrong Extension Agreement involves the burning of retired rail ties at either facility.⁶
2. The purpose of the NWE and Tolko Armstrong Extension Agreements is to manage risk in relation to meeting BC Hydro's long-term need for energy and capacity. The Extension

¹ Descriptions of BCSEA, *et al.*, and their reasons for participating in this proceeding are provided in Exhibit C2-1.

² Exhibit A-6.

³ http://www.bcuc.com/Documents/Arguments/2018/DOC_52178_BCH-Final%20Argument-EPA-Extension.pdf.

⁴ Application, Exhibit B-1, pdf pp.2, 23; BC Hydro Final Argument, para.17.

⁵ The recent history of the Commission's involvement with the prospect of the burning of retired rail ties at the NWE Facility is summarized in footnote 13 on p. 17 of the Application, Exhibit B-1. At the time of writing, that summary remains accurate.

⁶ To be clear, there is no indication on the record that Tolko has plans to burn retired rail ties at the Armstrong facility.

Agreements act as bridging mechanisms⁷ until implementation of the biomass fibre study underway for BC Hydro and the biomass energy strategy currently in development by the government and BC Hydro (with a June 2019 target date⁸). BCSEA, *et al.*, have reviewed BC Hydro's evidence regarding the biomass fibre study⁹ and the biomass energy strategy.¹⁰ They are satisfied that these are appropriate measures within BC Hydro's long-term planning context.

3. BCSEA, *et al.*, agree with BC Hydro that biomass facilities are desirable generation resources for BC Hydro's IPP portfolio as they offer both capacity and energy, and contribute to the reliability of the system.¹¹ And, forest based biomass is a clean or renewable resource.¹²
4. The evidence on the record is that the NWE Facility would likely shut down and the Tolko Armstrong Facility would likely cease generating electricity in the event that the Extension Agreements are not accepted for filing under s.71.¹³ This evidence should be accepted: it is plausible and uncontradicted.
5. In the view of BCSEA, *et al.*, the evidence supports the conclusion that (a) if the Extension Agreements are accepted then the two facilities will likely be available for consideration of long-term EPAs when the time comes, but that (b) if the Extension Agreements are not accepted then the NWE Facility would not likely be available and the Tolko Armstrong Facility may or may not be available.¹⁴ Further, both facilities are reasonably expected to be technically capable of operating reliably over the long-term based on their respective operating histories. And, BC Hydro expects that it would be possible to negotiate a cost-effective longer-term agreement for each of the facilities.¹⁵

⁷ BC Hydro Final Argument, para.4.

⁸ September 30, 2019 is when the respective Extension Agreements would expire if BC Hydro exercises its three-month extension option: Exhibit B-1, p.1. BC Hydro says it would contemplate further short-term extensions if the biomass energy strategy is not completed by September 2019: Exhibit B-4, BCSEA IR 1.1.5.

⁹ Exhibit B-3, BCUC IR 1.4.1. And see: Wood Based Biomass in British Columbia and its Potential for New Electricity Generation, prepared for BC Hydro's Long-Term Planning Process, by MDT Management Decision and Technology Ltd. And Industrial Forestry Service Ltd., March 2018, Exhibit B-3, BCUC IR 1.4.1 Attachment 1.

¹⁰ Exhibit B-3, BCUC IR 1.4.1; Exhibit B-4, BCSEA IR 1.1.1.

¹¹ BC Hydro Final Argument, para.23.

¹² BC Hydro Final Argument, para.30(e).

¹³ The NWE EPA and the Tolko Armstrong EPA would have terminated but for the respective Extension Agreements.

¹⁴ BCSEA, *et al.*, agree with BC Hydro in paragraph 27 of its Final Argument.

¹⁵ BC Hydro Final Argument, paras.10, 14.

6. BC Hydro acknowledges that the energy from the two facilities under the Extension Agreements is not cost-effective in relation to current pricing benchmarks.¹⁶ However, BCSEA, *et al.*, are satisfied that there is material value for ratepayers in keeping open the possibility of BC Hydro acquiring long-term EPAs for power from either or both of the two facilities, informed by the results of the biomass fibre study and the biomass energy strategy.¹⁷
7. Under the Extension Agreements, BC Hydro's cost of the power is lower, and the terms and conditions are more favourable,¹⁸ than under the original EPAs. The business terms appear to reflect appropriately the counter parties' respective opportunity costs. There is no evidence on the public record¹⁹ to support a conclusion that BC Hydro ought to have been able to negotiate more favourable terms for the Extension Agreements. It can be reasonably concluded that the cost of the Extension Agreements is equivalent to the minimum necessary to keep the facilities operating for electricity generation pending the outcome of the biomass energy strategy. It is noted that BC Hydro maintains that "the EPA prices are likely not sufficient to recover the respective IPP's total cost of service."²⁰
8. In determining whether the Extension Agreements are in the public interest, the factors to be considered by the Commission are set out in section 71(2.1) of the Act. BCSEA, *et al.*, submit that the Extension Agreements foster the interests of present and future BC Hydro ratepayers. Further, the Extension Agreements are consistent with the B.C. energy objectives, and with Recommended Action 4 of the government-approved 2013 Integrated Resource Plan to reduce near-term cost while maintaining cost-effective options for long-term need.
9. In addition to the factors noted above, in the view of BCSEA, *et al.*, the Commission can and should take into account that rejection of the Extension Agreements would cause considerable immediate negative impact on jobs and local economic activity, municipal tax revenue and woodwaste disposal solutions.²¹ Consideration of these impacts supports a positive public interest finding, although it is not suggested that these impacts alone are determinative of the issue before the Commission.
10. The adequacy of BC Hydro's consultation with First Nations is not a factor in the present proceeding.²²

For the reasons set out above, BCSEA, *et al.*, support Commission acceptance of the Extension Agreements as being in the public interest under s.71 of the Act.

¹⁶ Exhibit B-1, section 6.1, pp.17-20.

¹⁷ BCSEA, *et al.*, agree with BC Hydro in paragraph 22 of its Final Argument.

¹⁸ For example, regarding turn-down provisions and the assignment of fuel risk. Exhibit B-4, BCSEA IR 1.6.1, 1.6.2, 1.6.3, 1.7.1.

¹⁹ BCSEA, *et al.*, chose not to receive in confidence the confidentially filed evidence.

²⁰ BC Hydro Final Argument, para.26.

²¹ BC Hydro Final Argument, paras.32-34.

²² BC Hydro Final Argument, paras.35-36.

All the above is respectfully submitted.

Yours truly,

William J. Andrews

A handwritten signature in black ink, appearing to be 'WJ Andrews', written over a horizontal line.

Barrister & Solicitor