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June 11, 2009

VIA ELECTRONIC MAIL

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: Erica M. Hamilton, Commission Secretary

Dear Sirs/Mesdames:

Re: Section 5 Long-Term Electricity Transmission Inquiry - Project No. 3698545

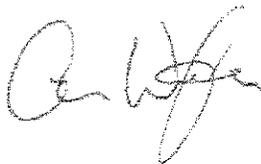
We are counsel to the Commercial Energy Consumers of British Columbia ("CEC"). Attached please find the CEC's comments on the Commission's staff discussion draft paper on scope of inquiry dated May 21, 2009 (Exhibit A-12) pertaining to the above-noted proceeding. The CEC's comments have been inserted into the paper in bold, italicized font.

A copy of this letter and our attached comments has also been forwarded to the registered intervenors by e-mail.

If you have any questions regarding the foregoing, please do not hesitate to contact the undersigned.

Yours truly,

OWEN BIRD LAW CORPORATION



Christopher P. Weafer

CPW/jlb
Enclosure
cc: CEC
cc: Registered Intervenors

LONG TERM ELECTRICITY TRANSMISSION REQUIREMENTS INQUIRY

Commission Staff Discussion Draft on Scope

Introduction

The Terms of Reference for the Long-Term Electricity Transmission Inquiry, which were issued by the Minister of Energy Mines and Petroleum Resources on December 11, 2008, set out, in general terms, the purpose of the Inquiry and the issues the Commission Panel must consider. The general purpose of the inquiry is for the Commission to make determinations with respect to BC's electrical transmission infrastructure and capacity needs for a 30-year period.

Following the April 27th Procedural Conference, the Commission Panel issued Order G47-09, which determined that Commission staff should prepare a discussion paper on the issues it considers to be within the scope of the inquiry. This paper has been prepared by staff and is intended to provide a starting point for discussion among inquiry participants relating to the scope of the issues and the level of analyses required to assess these issues. A second Procedural Conference is being held on June 24, 2009 to discuss and hear submissions related to the scope of the issues to be reviewed in the Inquiry.

The Terms of Reference identify issues, evidence and submissions that must be considered by the Commission. Commission staff believe that further clarification relating to scope in the following areas would be helpful: generation, electricity demand, transmission requirements, and areas inappropriate for the development of generation. Moreover, paragraph 10 of the Terms of Reference requires the Commission to invite and consider submissions, evidence and presentations from any interested person, including First Nations. Commission staff believe further clarification related to First Nations participation would also be helpful. Finally, the assessment of export demand was the subject of a separate letter from the Commission (Exhibit A-10). Potential export demand is included in this paper under 'Assessment of Demand'.

Assessment of Generation

The Terms of Reference with respect to the assessment of generation are set out in several paragraphs, which outline issues that are in scope and that are out of scope.

The Terms of Reference in paragraph 3 outline generally what must be addressed.

The Commission must assess the generation resources in British Columbia that will potentially be developed during the determination period, grouped by geographic location....

In making that assessment the Commission must consider:

- (i) the electricity resource potential identified in long-term resource plans and any evidence filed in the Inquiry;
- (ii) their generating capability, type and geographic area;

- (iii) areas inappropriate for development such as parks and protected areas;
- (iv) electricity resources needed to meet the energy and capacity requirements of the load-serving utilities;
- (v) potential future market opportunities to export clean or renewable or low-carbon electricity.

The CEC believes that it would be useful to split the assessment of generation into assessment of the existing system generation and new generation options.

The CEC agrees with the Commission staff draft as follows:

In Scope:

Based on the direction provided in the Terms of Reference, staff consider the following issues to be within scope:

- Information on sources of electricity supply from the BC Hydro Long Term Acquisition Plan (“LTAP”) and recent calls for power, FortisBC, and any other reliable sources of information [paragraph 3(a)(i)]

The CEC believes that the BC Hydro 2008 LTAP decision of the Commission will fix certain information with respect to new acquisitions to be anticipated and included in the existing generation analysis, specifically the total volume. The CEC believes that, depending in part upon the Commission’s decision, BC Hydro’s decision with respect to projects selected for EPA’s will form part of the anticipated existing generation analysis.

- Generating capability, type and geographic area. To effectively model the transmission system, staff believe that these estimates should include:
 - The regional location of the generation option, the first and last year the energy is available, the range of peak generation capacity (MW) and energy (GWh).
 - Approximate cost (\$/MWh)
 - Capacity rating type (Dependable Generation Capacity, Effective Load Carrying Capacity, Maximum Continuous Rating)
 - Assessment of whether it meets the clean or renewable energy guidelines

The CEC believes that the generic information (i.e., not project specific information) available from the BC Hydro Clean Power Call with respect to projects not selected for EPA’s will provide useful input to the type, nature, cost/MWh, cost/MW, location, characteristics and attributes of potential resource options. The CEC believes this is worth specifically identifying.

The CEC also believes that potential projects from prior calls, which have not been included in recent calls, may also be useful to identify as a source of resource options.

The CEC believes that the Standing Offer program ought to be specifically identified and assessed with respect to the potential for it to continue and its potential scenarios, because of BC Government policy specifically dealing with the Standing Offer approach.

The CEC believes that the Bio-Energy programs and potential ought to be specifically identified and assessed with respect to its potential scenarios, because of BC government policy specifically dealing with bio-energy.

- Information on all existing electricity resources, including any anticipated changes that may occur, such as Resource Smart projects and end-of life estimates with or without life extension projects.

The CEC believes it would be useful to specifically identify existing generation redevelopment and or replacement options. In particular, the Burrard plant scenarios will be important in a 30 year time frame.

- Developing technologies and their impacts on the economics of generation may be considered, especially as this may affect renewable generation from wind, solar, wood waste or tidal resources.

The CEC believes that developing technologies such as solar photovoltaic energy, solar thermal energy, municipal waste to energy, geothermal heat pump energy, industrial and other waste energy use need to be singled out and assessed in a separate scenario set because these sources of energy may be close to the loads and could have dramatic impacts on transmission scenarios within the Province. Also these scenarios are critical to assessing certain of the risks related to opening up a clean and renewable energy export scenario.

The CEC believes that wind technology is a maturing technology and should be excluded from the developing technology set.

The CEC believes that developing technologies need to be specifically singled out and assessed in separate scenarios because they may become relevant to unconventional transmission scenarios.

The CEC believes that ocean tide and current technology is in the developing technology grouping and would be best handled as part of this set.

The CEC believes that carbon sequestration is a developing technology and should be dealt with in this set.

- The need for generation resources resulting from both domestic and export demand.

The CEC believes that this point does not belong in the assessment of generation but rather should be covered in a section called Assessment of Need.

Staff believe that it will be in scope, and necessary, to produce a viable number of resource options for each region. Examples of possible assumptions include:

- Wind emphasis - regional generation favouring wind advantage;
- Run-of-river (“RoR”) emphasis- regional generation favouring RoR projects;
- Site C proceeds;
- Ocean (wave and/or tidal current) power or carbon sequestration from coal generation becomes cost-competitive.

The CEC believes that wind power and run-of-the-river projects are the mature technology projects which will form the core of what may be expected from existing technology.

The CEC believes that Site C should form a scenario on its own because of the size and significance of the project.

Staff further propose that regional generation estimates be used as the basis to develop a range of cost forecasts for generation by region, and to assist in determining the most cost-effective and probable sequence(s) of development, and therefore the need for transmission infrastructure.

The CEC believes that developing regional clusters and estimate approximations for development of the cluster would help define potential local transmission requirements, particularly, to connect to the grid but not the Provincial need for transmission infrastructure which would be derived from assessment of the generation cluster options.

The CEC agrees with the Commission staff draft as follows:

Not in Scope:

Paragraph 5 of the Terms of Reference states that:

In making the determinations referred to in paragraph 4, the Commission may not

- (a) make determinations on the merits of specific generation projects; or*
- (b) make determinations with respect to the specific routing or technological specifications of electricity transmission projects.*

Based on paragraph 5 above, the Inquiry will not consider the merits of specific generation projects. Staff believe that known projects based, for example, on determinations already made by the Commission Panel reviewing the BC Hydra LTAP application would be included in the base data.

The CEC agrees that the merits of specific projects have been precluded from the review by the Terms of Reference. The CEC believes that while the merits of specific projects is not in scope,

the assembly of clusters of specific projects will be required and the usefulness of the data will need to be understood. The CEC believes that BC Hydro's Resource Options data base will be a key source of information. The CEC believes that one key test of the validity of the data will come from the Clean Power Call information.

The CEC believes that data for developing technologies will present a more significant problem to develop and may need to be framed in terms of alternative scenarios for rates of success.

Thus, in staff's opinion, the Inquiry Report will not include the merits, for example, of one RoR project versus another but, instead, will analyse what a reasonable range of generation potential is in the province, the geographic dispersion of that generation, and the characteristics of the generation 'cluster' in each region.

This deals with the assessment of New Generation Options. The CEC agrees that comparison of one project versus another would be precluded. The CEC does not know how an analysis of a reasonable range of generation potential for the province can reasonably be made without assembling clusters of specific projects, which would then lead to assessing geographic dispersion of the potential and the mix of characteristics of the clusters.

Nothing is said about what is out of scope for the Existing System Generation. The CEC believes that the Commission decision with respect to the 2008 LTAP will preclude revisiting anything to do with any aspect of the decision which may set a quantity of energy to be acquired and/or specify an attrition rate for the quantity to be acquired. The CEC believes that any EPA's issued by BC Hydro and any Section 71 review will all be out of scope for this Section 5 inquiry.

Assessment of Demand:

Paragraphs in the Terms of Reference that appear most applicable to the demand forecasts are:

6. The Commission must...
 - (a) take a long term view of transmission development ... to support:
 - (i) additional transmission infrastructure and capacity that would accommodate reasonably foreseeable resource and economic development,
 - (b) recognize and take account of the following:
 - (i) British Columbia is to achieve energy and capacity self-sufficiency by 2016 and maintain self-sufficiency after achieving it....
 - (vii) it is desirable to maximize the net benefit from trade in electric power with neighbouring jurisdictions in the United States and Alberta.
7. ... the Commission must have regard for:
 - (a) The load-serving utilities' long-term resource plans ... including their most recently filed and relevant contingency resource plans as accepted by the Commission;

- (c) evidence regarding the load-serving utilities' energy and capacity requirements under scenarios that in the Commission's opinion are reasonable, including scenarios in which...
 - (i) there is an increase in electricity use, substituting for other forms of energy, as a means of reducing greenhouse gas emissions; and
 - (ii) the potential for long-term economic expansion in areas of British Columbia... is explicitly incorporated.
- 8. In addition to any other evidence and submissions relevant to the inquiry that the load-serving utilities may wish to provide, if not adequately addressed in their most recently approved long-term resource plans, the Commission must allow the load-serving utilities to provide evidence and submissions regarding:
 - (a) their electrical energy and capacity requirements for the determination period;

In order to meet the general purpose of the Inquiry, forecasts of demand under varying conditions for the 30-year study period are necessary. Agreement or Commission direction on a manageable number of demand scenarios, which are meaningfully different from each other, is vital to the Commission delivering useful determinations. The staff's opinion is that the Terms of Reference contain important guidance regarding forecast demand:

The CEC agrees with the Commission staff position that a manageable number of scenarios reflecting varying conditions and the associated forecasts of domestic and export demand would be very helpful. The CEC agrees with the Commission staff that these scenarios should be meaningfully different from each other. The CEC also believes that the scenarios should be capable of being assessed with respect to a reasonable probability of occurring and they likely required supporting government initiative required.

In Scope

- Both domestic and export demand are in scope.

The CEC believes that determining the contingent factors that would significantly vary the assessment of domestic demand and export demand will be critical to developing useful scenarios.

The CEC believes that there can be interaction between export scenarios and trade scenarios and that, as both could be significant, these issues should be in the scope of consideration.

- The Commission is to have regard for the utilities' "...most recently approved long-term resource plans". Therefore, BC Hydro's and FortisBC's long term resource plans, including their most recently filed and relevant contingency resource plans as accepted by the Commission are in scope.

The CEC believes that the Commission must have regard for recent long-term resource plans assuring that they are in scope and that examining reasonable alternative scenarios over the 30 year period is also required. The CEC believes that determination of such scenarios will be critical and that an early part of the Commission process might usefully

consider submissions on what these should be and result in a determination which may further set the framework for the ongoing development of the inquiry.

- Because the Inquiry study period is longer than the LTAP period, the LTAP forecasts will need to be extended. In addition, forecast scenarios may need to be developed to reflect future outcomes that were not adequately addressed in the LTAP. The scenarios identified in the Terms of Reference consider heightened requirements arising from fuel switching to electricity as a greenhouse gas reduction strategy, and regional long-term economic expansion.

The CEC believes that the fact that the study period for this inquiry is longer than for the BC Hydro LTAP, it would certainly lead to a requirement to adopt methodology to provide forecasts for a longer period of time.

The CEC believes that to the extent economic circumstances reflect a different actual starting point than was used in the BC Hydro LTAP, it will be relevant to rebase the starting points for the forecasts.

The CEC agrees that the Terms of Reference explicitly include certain scenarios to be considered including fuel switching to electricity to reduce GHGs and potential for long-term economic expansion. The CEC believes that scenarios flowing from:

- *First Nations issue;*
- *Conservation and Efficiency Options;*
- *Economic Development Options;*
- *Environmental Concerns;*
- *Technological Development,*

will have the potential to be significant and should be incorporated.

- Reasonable forecasts of the province's domestic long-term energy and capacity requirements, based on estimates of net domestic demand, after provincial self-sufficiency requirements and demand-side measures are taken into account, are in scope.

The CEC agrees that the Terms of Reference explicitly require consideration of the Province's 2016 self-sufficiency and note that they also require consideration of maximizing the benefits of trade with neighbouring jurisdictions. The CEC agrees that the forecasts would be made for net demand after demand side measures and therefore, that such demand side measures are in scope.

- New technologies such as electric vehicles and home electronics may increase demand, while conservation technologies may reduce demand. Reasonable estimates of the impact of such new technologies on domestic and export demand are, in the view of staff, in scope.

The CEC agrees with the Commission staff that scenarios flowing from the evolution of 'electric use' technologies and 'electric conservation' technologies will be critical and should be in scope. In addition, the CEC believes that relevant scenarios can flow from 'substitute use' particularly around substitutes for heat.

Staff expect that demand forecasts will be estimated for each year in the study period and disaggregated to show the demand at appropriate points in the study model for both capacity (MW) and energy (GWh) and that regional domestic demand forecasts will be created by disaggregating the province-wide 30-year forecasts. Forecasts will consider and adopt appropriate input from participants, including the utilities, local and regional governments, and large volume consumer groups. Such input would include key regional forecast determinants, such as the long-term outlook for major industrial sectors such as forestry, mining, and oil and gas. Staff further anticipate that regional distribution of total demand will be created by adding the regional domestic demand forecasts to the export estimates at the interconnection points with Alberta and the U.S.

The CEC agrees with Commission staff that the demand forecasts should be estimated for each year. The CEC agrees with Commission staff that the demand should be disaggregated. The CEC notes that Commission staff appear to have suggested regional disaggregation, which the CEC would support. The CEC also believe that forecasts should be disaggregated into the customer class categories. The CEC further believes that the industrial class should be further disaggregated by industry specific categories and that the commercial class should also be similarly disaggregated into significant business classifications. The business and industrial classifications will be useful for the purpose of relating them to economic development scenarios.

The Terms of Reference recognize the need for scenarios and staff think it is important that a limited number of scenarios be used to group factors that may drive demand higher or lower in order to produce a viable number of options. e.g.

- High Demand - high exports, high economic growth, plug-in electric vehicles
- Low Demand - low exports, low economic growth, high electricity prices causing fuel switching to carbon fuels, conservation and technological improvements.

The CEC agree with the Commission staff that it is important to develop a limited number of scenarios. The Commission staff has reduced this concept to two bullet points, a high load and a low load scenario. The CEC believes that the scenarios should be developed around external factors affecting load and should not be the high and low load themselves. The CEC believes that the scenarios might usefully be developed around the following:

- *Societal Issues (First Nations, Environment, Conservation, Demographics;*
- *Economic Issues (Economic Development, Productivity, Taxation, Trade, Export, Energy Pricing)*

- *Technological Issues (Energy Generation, Energy Transmission, Energy Use, Energy Reduction, Energy Substitution)*

The CEC believes the scenarios should then identify contributions to electric load growth forecasts for the following two major breakouts:

- *Domestic Load*
- *Export Load*

The CEC then believes that for each of these two load forecasts, the following cases should be developed:

- *Domestic*
 - *Base Case (extended LTAP)*
 - *Higher Consumption Case (lower conservation & efficiency, increased electricity uses)*
 - *Lower Consumption Case (higher conservation & efficiency, moderate electricity uses)*
- *Export*
 - *Base Case (self-sufficiency & insurance effectively existing export mandate)*
 - *Higher Consumption Case (new export industry to limits of constraints)*
 - *Highest Consumption Case (new export industry plus expansion of constraints)*

With regard to potential electricity demand created by exports, paragraph 3 of the Terms of Reference states that the Commission must assess:

- “(a) the generation resources in British Columbia that will potentially be developed during the determination period, grouped by geographic location, considering:
 - (v) potential future market opportunities to export clean or renewable or low-carbon electricity to other jurisdictions that is surplus to the requirements of load-serving utilities in British Columbia.

In order to meet this requirement, the scope of evidence prepared to address exports may include:

The CEC believes that the first requirement for considering development for export will be to identify the potential legal, regulatory and administrative context within which this export would be developed and why that context is different from or needs to be different from the current context. The CEC believes that it will be necessary to understand at whose risk such developments would be undertaken and what the boundaries would be between the existing domestic customer responsibilities and any new development for export.

- The most comprehensive credible information concerning renewable and low-carbon resource potential in British Columbia.

The CEC believes that the assessment of the resources would be the same ones made under the 'Assessment of Generation' section and that it should not be necessary to duplicate that consideration in the export context. The CEC believes that this comprehensive and credible information will need to include the estimated costs for developing such resources, including the costs associated with externalities. The CEC believes that the risks associated with development for this purpose need to be identified and understood.

- The demand for that generation in British Columbia

The CEC believes that the assessment of demand is the same assessment referred to earlier in this section and need not be duplicated.

- The resultant surplus that is available for sale to other jurisdictions, including from potential generation (and related transmission) that may be specifically developed for that purpose.

The CEC believes that given the self-sufficiency and insurance provisions mandated by the Provincial Government there will be a base case of resultant surplus available for sale to other jurisdictions. The CEC does not believe that export beyond this would be or should be the resultant of a determination of available resource less domestic demand as implied here. The CEC believes that consideration of export beyond the base case would need to be driven by the economic, environmental and societal benefits and or costs of developing such an industrial sector in the BC economy.

- The potential demand for that generation, including energy, capacity, and clean attributes, in other jurisdictions over the next 30 years.

The CEC agrees with the Commission staff that assessment of the potential market for clean, renewable electrical energy and capacity would be a critical part of the assessment for export demand.

The CEC believes that the assessment of export demand from a BC based export industry would need to be constrained, from the broad market potential, by the transmission capabilities to get power to those jurisdictions and/or the potential for that transmission limitation to be expanded over time.

The CEC also believes that the assessment of demand will need to take into account any potential impacts on Trade Income and/or base case projections of domestic system Export Revenues.

Not in Scope

Staff interpret the direction provided in the Terms of Reference with regard to the utilities' most recently approved long-term resource plans to mean that the Inquiry is not intended to be a forum for revisiting BC Hydro's June 2008 LTAP after the Commission LTAP Panel has issued its Decision on it.

The CEC believes that there will be a number of decisions in the 2008 LTAP decision that will fix certain issues for certain periods of time. However, since BC Hydro's 2008 LTAP was submitted and reviewed by the Commission in the context of BC Hydro's intent to return every three years or so with a new and or revised LTAP, there will be, as a result of necessity, a number of issues considered in the 2008 LTAP which ought to be more properly considered as changing over time. The 2008 LTAP did not address the likely scenarios for those developments. Such developments would likely be critical to 30 year transmission development plans. The CEC would not want to see the scenarios for those developments precluded from consideration.

Assessment of Transmission:

As noted earlier, paragraph 5 of the Terms of Reference states that:

In making the determinations referred to in paragraph 4, the Commission may not

- (a) make determinations on the merits of specific generation projects; or
- (b) make determinations with respect to the specific routing or technological specifications of electricity transmission projects.

And on page 2, the Terms of Reference state:

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

In Scope

Staff consider the above references to long-term regional development of generation and long-term transmission needs to imply a review of the province's bulk transmission system at a high-level, and that the analysis should be regional or zonal, not route specific. Therefore staff believe that the existing bulk transmission system (230 kV or greater) would be an appropriate starting point for analysis of the transmission system.

The CEC agrees with the Commission staff that consideration of the bulk transmission system would be an appropriate definitional constraint for the analysis of the transmission system. However, a number of transmission issues with respect to the 30 year planning for the transmission system involve regional transmission interconnection, which may require a different definitional constraint to properly assess. The CEC also believes that transmission lines are not the only transmission system issues and that the capabilities of the stations connected in the bulk transmission system will be relevant considerations.

However, as indicated in paragraph 5(a) and (b) of the Terms of Reference, the Commission cannot make determinations on the merits of specific generation projects or with respect to the specific routing or technological specifications of transmission projects. Therefore, staff believe that bulk transmission reinforcements developed in response to various scenarios should not be

voltage specific, but should provide a general (not-specific) path and a transfer capacity for that path in MW.

The CEC is not sure how one could properly and prudently plan the need for transmission without considering the costs and benefits of various alternatives and scenarios. The CEC does not know how one could make such considerations without considering specific routes and projects. The CEC interprets the Terms of Reference, paragraph 5(a) and 5(b) somewhat differently. The CEC believes the Commission is precluded from making determinations about specific projects and transmission routes but is not precluded from considering them in making its more generic determination of need for transmission over the next 30 years. The CEC believes the Commission may consider a number options and alternatives for specific potential projects and transmission routes and make a more general determination that transmission connecting two geographic areas is needed.

Initial focus on the bulk transmission system should not prevent consideration of regionally significant transmission, irrespective of the voltage that such transmission might be operated at initially. For example, connecting the Fort Nelson area to the BC Hydro system north of Fort St. John by a 138 kV line could be one of several supply options to meet growing demand, and the proposed 287 kV line north of Terrace along Highway 37 may be initially operated at 138 kV.

The CEC agrees with this inclusion of regional transmission concerns.

Analysis of the bulk transmission system will include:

- the general (not specific) path location;

The CEC believes that the Commission may consider a number of specific paths and alternatives. The CEC believes that the Commission is precluded from making a determination about which one may be preferred.

- the transfer capacity of the path in MW;

The CEC believes that the Commission may also need to be aware of VAR requirements.

- component end-of-life date;

The CEC agrees that the component end-of-life information will be relevant.

- line losses;

The CEC agrees that line losses will be relevant but that it will be difficult to make such determinations without specific project or combinations of projects as scenarios to consider.

- timing of new additions.

The CEC agrees that the timing of new additions to the transmission system would be relevant.

The CEC further believes that the utilization of existing bulk transmission system components will be relevant to determining need for new transmission.

Not in Scope

- Detailed analysis of the lower voltage transmission system except, as noted elsewhere, for proposals for transmission that are regionally significant;

The CEC generally agrees with Commission staff that detailed analysis of the lower voltage transmission and distribution systems should not be the focus of this inquiry. However, to the extent that distributed generation options, technology and development are considered, there will need to be allowance for the inclusion of some consideration of the lower voltages.

- Specific routes or technological specifications of transmission projects.

The CEC believes that only making determinations or decisions about specific routes or technologies is precluded and that consideration of specific routes and technologies may be necessary to understand the potential costs and benefits issues which would be useful to making determinations about the need for transmission.

Paragraph 4 of the Terms of Reference states that the Commission must make determinations respecting the need for, and timing of, additional transmission infrastructure and capacity that would allow for:

“...improved electricity transmission intertie capacity between British Columbia and the United States or Alberta that can be used effectively to permit continued optimization of the electricity system in British Columbia, and to support the export of surplus electricity...”

In Scope:

The review will include issues with respect to the capacity of the interties with Alberta and the U.S.

The CEC agrees that the other jurisdiction intertie capability will need to be examined.

Not in Scope:

The Terms of Reference are silent on the issue of cost-allocation for transmission extensions or reinforcements identified by the Inquiry. Staff consider the cost recovery/cost allocation principles to be a rate design issue, and there are already processes in place to consider cost-allocation issues. Therefore, staff consider cost-allocation issues to be out of scope, and participants shouldn't assume that a determination on need implies a determination on cost-allocation.

The CEC believes that the silence of the Terms of Reference with respect to cost-allocation does not provide a basis for excluding consideration of cost responsibility. The CEC believes that cost responsibility issues go directly to the heart of the determination of need. Need is at the core of what the Commission is being asked to assess. The CEC believes this cannot be prudently undertaken without understanding who or what the need is for, what sort of benefits would be derived by whom, why the need is important and what the contribution of various parties might be to the satisfaction of the need. The CEC believe that costs and benefits should be one of the key values used to assess need. The CEC believes that environmental and societal values may also be important considerations. The CEC does not know how the Commission could make a reasonable determination of need without considering costs and benefits and the parties for whom these would be relevant.

First Nations Issues:

Paragraph 10 of the Terms of Reference direct the Commission to invite and consider submissions, evidence and presentations "...from any interested person, including without limitation, First Nations...." Commission Order G-47-09 establishes that there will be Regional Sessions in October/November of 2009 to hear submissions from First Nations, communities, local governments and others. This timing is consistent with the timing proposed by the First Nations Energy and Mining Council.

The CEC agrees with Commission staff that First Nations issues are to be included in the Commission's considerations.

At the April 27, 2009 Procedural Conference, several participants noted the importance of First Nations issues and First Nations participation in the Inquiry. BC Hydro referred in its submissions to a BC Hydro/BCTC First Nation consultation process, which, it described as a parallel process focused on consulting with First Nations with respect to BC Hydra's and BCTC's information and submissions into the Inquiry.

The CEC believes that BC Hydro's proposed parallel process consulting with the First Nations may well be useful. The CEC believes that it will be important to hear directly from First Nations as the CEC expects their issues to be strategic and critical to transmission planning. The CEC is uncertain with respect to the degree to which important First Nations issues may be filtered out in the BC Hydro process.

BC Hydro described the BC Hydro/BCTC consultation process as a three phase process, with the first phase consisting of introductory topics; the second phase focusing on reviewing the information BC Hydro and BCTC will file in September 2009, including the underlying scenarios and the transmission overlaid on top of those scenarios; and the third phase focusing on BC Hydra's and BCTC's filed submissions. BC Hydro expects to file a consultation report following the first two phases of the BC Hydro/BCTC parallel consultation process, and to file a second consultation report to the Commission as part of Phase 3.

The CEC notes that the focus of the BC Hydro consultation process is about the BC Hydro and BCTC submissions and not specifically about First Nations concerns with electric

transmission systems, what options may exist for providing some satisfaction with respect to those issues and what the implications of undertaking any of the options may be.

Participants at the April 27 ch Procedural Conference speaking on behalf of First Nations groups proposed that the Inquiry should address the issue of aboriginal rights and title and historical infringements to those rights. A submission on behalf of the Shuswap/Arrow Lakes Division of the Secwepemc Nation asked the Inquiry to address past infringements resulting from transmission lines within their traditional territories and more specifically requested "... a table where the First Nations can come together with the Utilities Commission, B.C. Transmission Corporation, B.C. Hydro and of course the Ministry representatives, so that we can look at not only past infringements but also look at a way that we can come together so that we can work towards co-management for the future." (T1: 89)

Upon hearing these presentations at the procedural conference, the concern arises with respect to whether or not First Nations would be adequately engaged in consultation about the transmission system needs. The CEC believes that the Commission may find it useful to have some element of its process which hears directly from the First Nations with respect to the adequacy of the process in which the First nations are or are not engaged and that this should be done early in the process.

Staff agree that First Nations issues are important and that First Nations must have an opportunity to participate in the Inquiry in a manner that is consistent with the Terms of Reference for the Inquiry, and aligns effectively with the BC Hydro/BCTC consultation process. Staff believe that the Inquiry, along with the BC Hydro/BCTC consultation process with First Nations, will assist in identifying First Nations issues and concerns related to electricity generation and transmission, and the Inquiry Report will provide an opportunity to summarize the concerns and ideas raised by First Nations.

The CEC is hopeful that the Commission staff's views expressed with respect to inclusion of the First Nations issues and concerns will be realized. The CEC believes that the Commission may find it useful to build into its process a means of periodically asking the First Nations whether or not the consultation process is adequate.

Areas Inappropriate for Generation Development:

Paragraph 3(a) (iii) of the Terms of Reference notes that in assessing generation resources in British Columbia that will potentially be developed during the determination period, grouped by geographic location, the Commission must consider:

"That certain areas in British Columbia will be inappropriate for the development of generation resources, such as, but not limited to, parks and protected areas."

Staff note that the assessment of areas inappropriate for development is limited to generation resources, not transmission. Staff also note that the reasons for the Commission's consideration of this topic is to help with its estimate of potential generation resources grouped by geographic location, and their sequencing of development.

In staff's view, areas inappropriate for the development of generation resources can fall into two general categories. "Exclusion Areas" are those where new generation is already precluded or severely constrained by statute, regulation, or official plans. Provincial Class A, B, and C Parks, Conservancies, Biodiversity Areas, Ecological Reserves, National Parks and Historic Sites, National Wildlife Areas, National Marine Protected Areas, and Regional District Parks are examples. Staff consider that revisiting decisions made by governments about boundaries or permitted uses in these Exclusion Areas is out of scope.

The CEC agrees with Commission staff in regard to the exclusion of consideration for locating generation in the listed areas.

The second category may cover areas where new generation should be deferred or avoided based on imminent government decisions. For example, a planning process may be recommending creation of a protected area but a regulation or bylaw creating the protected area is pending. This category may also include areas where prolonged review by permitting agencies can be anticipated, due to significant ecological, traditional use, or cultural values.

The CEC agrees with the Commission staff in regard to exclusion of areas that are under consideration by some level of government for significant changes to its categorization such that it may reasonably become an excluded area. The CEC is uncertain with respect to whether or not First Nations consideration of areas for exclusion would be applicable here but believes that the Commission may want to consider at some point, what the First Nation's role is or may become in regard to these 'government' issues.

BC and other provinces and states in the Western Interconnection are participating in the Western Renewable Energy Zone Project (WREZ), an initiative to plan and foster the development of infrastructure necessary for the development of large scale renewable electricity generation in western North America. The Inquiry will welcome the Province's submissions to WREZ, to inform the Commission of Exclusion Areas or other such identified areas.

The CEC agrees with Commission staff that there are important interests being pursued by government at a number of levels and that these developments and initiatives would likely be useful to the Commission's considerations.

It is staffs view that consideration of areas inappropriate for the development of new generation must be based on readily available and foreseeable information. The Inquiry is not meant to substitute for or prejudice environmental assessment, land use, or permitting processes. Evidence should not include any individual project or permitting issues. Rather, staff believe the Inquiry will rely on current policies and land use designations contained, for example, in land and resource management plans, strategic land use resource plans and official community plans.

The CEC agrees with Commission staff that this inquiry should not be expected to prejudice environmental assessment nor any land use or permitting processes and should anticipate respecting existing policies, land use designations, resource management plans, strategic land use resource plans or official community plans. The CEC, however, believes the Commission should not be constrained from hearing concerns with respect to what is in or not in existing policies, land use designations, resource management plans, strategic land use resource plans

or official community plans. The CEC believes the Commission should be open to and able to consider various parties concerns when making its determinations.