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October 7, 2011

Ms. Alanna Gillis  
Acting Commission Secretary  
British Columbia Utilities Commission  
Sixth Floor – 900 Howe Street  
Vancouver, BC V6Z 2N3

Dear Ms. Gillis:

**RE: Project No. 3698640  
British Columbia Utilities Commission (BCUC)  
British Columbia Hydro and Power Authority (BC Hydro)  
Application for a Certificate of Public Convenience and Necessity for the Dawson  
Creek/Chetwynd Area Transmission (DCAT) Project (the Application)  
Participant Assistance/Cost Awards (PACA) Interim Funding Applications**

In accordance with Exhibit A-6, BC Hydro is writing to provide its comments on the Interim PACA Funding Application of the Commercial Energy Consumers Association of British Columbia (CECBC) in the above-noted proceeding.

## 1. PACA Funding Guidelines

The PACA Guidelines (BCUC Order No. G-72-07) state that in exceptional circumstances the Commission Panel may approve the costs of retaining a consultant, or Expert Witness/Specialist, under an accelerated approval process. For example, where a proceeding is expected to be of exceptionally long duration, this may constitute “exceptional circumstances” for the purpose of interim funding. The CECBC has not properly identified any “exceptional circumstances” present in this proceeding to warrant an accelerated approval process. If an accelerated approval process is not approved, it is still open to the CECBC to retain a consultant or Expert Witness/Specialist for the purposes outlined in the CECBC’s request, and to justify the expenditures in accordance with the PACA Guidelines.

BC Hydro submits that it would set a dangerous precedent for the BCUC to predetermine the appropriateness of a cost award in the absence of demonstrated exceptional circumstances. CECBC has not indicated that it anticipates an overly long or burdensome process in connection with the Application. To the contrary, CECBC acknowledges that an oral hearing may not be required at all. Nor has CECBC suggested that it, or its consultant, is uniquely able to present this evidence to the BCUC. As of the time of CECBC’s Interim PACA Funding Application, CECBC had not identified the consultant it wants to retain, nor has it demonstrated his or her competence to undertake a study that it says BC Hydro has failed to undertake.

In these circumstances, to provide an assurance before the fact that CECBC will be compensated directly by BC Hydro (and indirectly by all ratepayers), irrespective of the value the evidence ultimately proves to have, would only encourage similar speculative requests for funding.

## 2. CECBC's Proposal

BC Hydro is concerned that the specific information that CECBC proposes to introduce would not be helpful in this proceeding. In its September 14, 2011 letter requesting this Interim PACA Funding, CECBC makes the statement that "... retention of research expertise to provide the evidence will provide a significant contribution to these proceedings ...". In support of that proposition, CECBC attaches Schedule "A", which outlines some of its theories as to the system planning steps it says BC Hydro ought to have taken and its expert would undertake if properly funded. CECBC's assertions ignore the evidence already filed in this proceeding.

As stated in Section 3.2 of the Application, and further set out in Appendix A to the System Planning Report (Appendix B of Exhibit B-1), BC Hydro did identify and analyze a number of alternatives for resolving supply constraints in the area, including local generation. A number of alternatives were dismissed, with the result that only two of the alternatives, these being transmission system solutions, were brought forward in the Application. The alternatives proposed by CECBC did not warrant specific study for the reasons set out in the response to CECBC IR 1.38.1. In particular:

- (a) the lead-time required to site a natural gas generator in the region would not meet the needs of new customer project schedules, much less address the current shortfalls to existing customers in a timely way;
- (b) the use of gas generation by BC Hydro to supply electricity in the Dawson Creek/Chetwynd Area would eliminate the benefits associated with the fact that DCAT avoids GHG emissions created by customer self-supply options;
- (c) although there is some head-room for additional gas generation under the *Clean Energy Act* requirement to source 93 per cent of electricity in B.C. from clean or renewable resources, using gas-fired generation in the Dawson Creek area may exclude gas-fired generation in other regions where gas may be the only option; and
- (d) the question of where additional natural gas generation, if any, can best be located within B.C. is a resource planning question that will be addressed in the Integrated Resource Plan (IRP) to be filed with the Minister of Energy and Mines in late-2012. Such planning cannot be undertaken on an *ad hoc* basis and should not be undertaken as part of this proceeding.

BC Hydro elaborates on these points below.

- Lead-time to Site Natural Gas Generation Would Not Meet Customer Needs - The CECBC has postulated that one alternative is for BC Hydro to generate a significant portion of the power needed in the area, by means of natural gas-fired reciprocating engine generators, or natural gas-fired turbines. Fig. 2-5 at page 2-14 of the Application shows that BC Hydro is already unable to meet the load in the DCAT area. As shown in Fig. 2-3 at page 2-7 of the Application, the load in the Dawson Creek and Groundbirch areas is expected to rise substantially in the short-term (F2011 to F2015). This sharp increase is based largely on the needs of natural gas producers in the area, which were forecast as 70 MW in F2012,

83 MW in F2013, 153 MW in F2014 and 195 MW in F2015.<sup>1</sup> BC Hydro believes that it would take four to five years to obtain permits for and site a gas-fired generator in the region.<sup>2</sup> This estimate is based in part on environmental assessment requirements, the need for air emission permits, and the anticipation of significant public involvement in the regulatory process. As a result of that lead time, BC Hydro would remain unable to provide its existing customers in the area with the level of service enjoyed by its customers elsewhere in the province. Moreover, BC Hydro would have to advise natural gas producers in the area that it would be unable to meet those customers' in-service dates for their new facilities. Natural gas producers have the ability to self-supply their energy needs and have indicated that if they commit to gas compression there is little to no likelihood that they will switch to electric compression.<sup>3</sup>

- Use of Natural Gas Generation Would Eliminate a Potential Benefit of the Project - As explained in Section 2.6 of the Application, upgrading the transmission system in the Dawson Creek/Chetwynd area will enable natural gas producers to utilize clean electricity to power electric compressors rather than using gas-driven compressors. The resulting avoided/reduced GHG emissions are expected to be in the range of 1 million tonnes per year, and could be higher as future gas production in the Montney basin is electrified.<sup>4</sup> This supports British Columbia's energy objectives to reduce GHG emissions and encourage the switching of one kind of energy source to another to decrease GHG emissions in B.C. (Sections 3(g) and (h) of the *Clean Energy Act*). The supply by BC Hydro of gas-fired power would not assist in achieving these objectives. The customer self-supply option, which the CECBC has identified as an option to consider, also would not assist in achieving these energy objectives.
- Appropriate Use of Head-room for Natural Gas Generation - In its response to CECBC IR 1.38.1, BC Hydro has set out the head-room available for natural gas generation while still meeting the 93 per cent threshold under the *Clean Energy Act*. BC Hydro has also identified regions of the province where gas-fired generation may be the only supply option (e.g., Fort Nelson), or the only feasible option for a number of years (e.g., North Coast region), or the only viable near-term contingency option in the event of transmission project delays in certain scenarios (Vancouver Island). The use of gas-fired generation in the Dawson Creek/Chetwynd area, which is already rich in generation, would preclude the use of gas-fired generation elsewhere in the province, where it may be the only feasible supply option. For this reason, it is not useful for the CECBC to provide evidence related to gas-powered supply in the Dawson Creek/Chetwynd area.
- Appropriate Process for Resource Planning Questions - As set out in the response to CECBC IR 1.38.1, the role of natural gas in supplying the energy needs of the province is a much broader question than can properly be addressed in the context of this proceeding. Natural gas currently enjoys a cost advantage over all other sources of generation and,

<sup>1</sup> Table 1 at page 8 of Appendix C to the System Planning Report (Appendix B to the Application).

<sup>2</sup> BC Hydro's response to CECBC IR 1.38.1.

<sup>3</sup> Application, page 2-16, lines 20 - 25.

<sup>4</sup> Application, page 2-16, lines 4 -11.

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accordingly, can appear to be an attractive option wherever located. Given that the limitations imposed on its use are established by provincial legislative policies that apply throughout the province, and that the review of BC Hydro's efforts to comply with these policies is to be conducted by Cabinet when reviewing BC Hydro's IRP, it is inappropriate for CECBC to attempt to pre-empt the process prescribed by legislation by seeking to turn an area and facility specific proceeding before the BCUC into a much more general system planning inquiry.

### 3. Conclusion

For all of the reasons discussed above, BC Hydro respectfully submits that CECBC's application for an advanced ruling with respect to its Interim PACA Funding Application be denied.

If you have further questions, please contact Geoff Higgins at 604-623-4121, or by email at [bhydroregulatorygroup@bchydro.com](mailto:bhydroregulatorygroup@bchydro.com).

Yours sincerely,



(for) Janet Fraser  
Chief Regulatory Officer

gh/lw

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