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January 29, 2015

VIA EMAIL

MS. ERICA HAMILTON
Commission Secretary
British Columbia Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC
V6Z 2N3

Dear Ms. Hamilton:

Re: Zellstoff Celgar Limited Partnership ("Celgar") –

(1) British Columbia Utilities Commission (the "Commission"), British Columbia Hydro and Power Authority ("BC Hydro") Application for Approval of Section 2.5 Guidelines for the New Power Purchase Agreement (the "New PPA") with FortisBC Inc. ("FBC") - Rate Schedule 3808, Tariff Supplement No. 3 Regarding Commission Order G-60-14 (the "BC Hydro Application"); and

(2) FBC Commission Decision in Order G-60-14 Compliance Filing (the "Decision") – Application Regarding FortisBC's Self-Generation Policy (the "FBC Application")

By Order dated May 6, 2014, the Commission issued its Decision and Order G-60-14 in the matter of the BC Hydro Application for Approval of Rates between BC Hydro and FBC with regard to Rate Schedule 3808 and various tariff supplements.

Pursuant to Directive 2 of Order G-60-14, the Commission directed BC Hydro to initiate a consultation process that will result in an application for New PPA Section 2.5 Guidelines by November 1, 2014 (subsequently extended to December 15, 2014).

By Directive 5 of Order G-60-14, the Commission directed FBC to initiate a "concurrent" consultation process in its service territory to address certain issues relating to self-generation and GBL methodology and guidelines and providing further that FBC file its Self-Generation Policy Application by December 31, 2014 (later extended to January 9, 2015).

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BC Hydro filed the BC Hydro Application on December 15, 2014, and FBC filed the FBC Application on January 9, 2015.

With respect to the BC Hydro Application, by Order G-205-14 dated December 19, 2014, the Commission established a preliminary regulatory timetable, including a request for Interveners' submissions on further process to be received on or before Monday, January 19, 2015.

With respect to the FBC Application, by Order G-3-15 dated January 13, 2015, the Commission established a preliminary regulatory timetable for review of the FBC Application, including a Procedural Conference scheduled for February 5, 2015. In that Order the Commission directed registering Interveners to identify generally the nature of the issues that they intend to pursue.

By Order G-4-15 also dated January 13, 2015, the Commission suspended the regulatory timetable established by Order G-205-14 in order to ensure regulatory efficiency, and because a review of the BC Hydro Application may be informed by the submissions at the Procedural Conference.

By this letter, Celgar registers its intention to intervene in the review of the FBC Application. By letter dated January 6, 2015 (Order G-205-14, Exhibit C5-1) Celgar previously registered its intention to intervene in the review of the BC Hydro Application. In its capacity as both a customer of FortisBC and in its capacity as a self-generator within the FortisBC service area, Celgar will be directly affected by Section 2.5 Guidelines, which are the subject of both the FortisBC Application and the BC Hydro Application.

Celgar intends to pursue the following issues at the Procedural Conference:

Timing of Proceedings

Celgar will submit that resolution of GBL principles in the FBC service area could greatly simplify and inform the BC Hydro proceedings, to the extent that they affect FortisBC's self-generation customers.

In addition to requesting intervener status in the Order G-3-15 proceeding, Celgar will request that further process steps in the Order G-205-14 proceeding continue to be suspended pending a final decision in the Order G-3-15 proceeding.

In the alternative, Celgar will seek the joinder of the BC Hydro Application and the FBC Application such that both applications be heard at the same time before the same panel. Celgar believes that, if run in parallel, there would be significant duplication of evidence and submissions between the two applications and that either sequencing or joinder of the two proceedings could result in regulatory efficiencies.

With respect to the order of the proceedings, Celgar will argue that any delay in addressing the FBC Application will result in further delay of the resolution of the "net-of-load" issue in the FBC service area. In this regard, the Commission determined in the Decision that:

*the Panel's preferred solution would have been to approve the New PPA without any restrictions to section 2.5 ... and that The Panel is hopeful that once the two concurrent consultation processes have resulted in clearly documented Commission-approved principles, the Commission will seek submissions from parties to determine whether it would be reasonable to eventually remove the restrictions from Section 2.5 of the New PPA in pursuit of improved regulatory efficiency.*¹

Celgar believes that resolution of the FBC Self-Generation Policy issues in the first instance, rather than paralleling such process with the BC Hydro process, would be more likely to result in timely, clearly documented, Commission-approved principles so as to address the "net-of-load" issue. Alternatively, the two processes could be joined. To be clear, Celgar will oppose any further delay in addressing the "net-of-load" issue in the FBC service area, and will oppose running parallel processes that may result in conflicting results (as evidence or findings from one process may not be available in the other).

Celgar acknowledges the utility in having had parallel consultation processes in place, while staggering the timing of the filing of the BC Hydro Application and the FBC Application. Doing so allowed for fuller consultation and allowed FBC the benefit of BC Hydro's views before completing its own application. However, Celgar does not perceive that any further benefits will flow from continuing on parallel paths.

Celgar will submit that hearing the two applications sequentially, or alternatively together, would provide a practical process to resolve self-generation policy issues, on a province-wide consistent basis. Hearing the applications sequentially, or together, would provide advantages over hearing the processes concurrently, in parallel, with regards to ensuring fairness and integrity, avoiding duplication of proceedings, ensuring that determinations that must be made in each proceeding flow from consistent principles and addressing, in a timely fashion, the "net-of-load" restrictions in place in the FBC service area.

FortisBC Compliance

Celgar will also seek an opportunity at the Procedural Conference to make submissions regarding whether the FBC Application complies with Order G-60-14 and the Decision. Although the consultation process was to consider high level principles concerning Section 2.5 Guidelines, Celgar will submit that the reference to the "Comprehensive Self-Generation Policy Application" as described in Section 9.4 of the Decision and in Directive 5 of Order G-60-14, and the stated purpose of the FBC GBL Guidelines and the BCH Section 2.5 Guidelines (see closing paragraph of the Decision), make it clear that FortisBC was to file FBC GBL Guidelines by December 31, 2014. The FortisBC Application is deficient in that although it does include high level principles, it does not include GBL Guidelines. Celgar will argue that even if the Commission concludes that the FBC Application is not deficient, FortisBC should be directed to file GBL Guidelines as soon as is practicable after the Procedural Conference.

¹ Decision, page 109.
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Summary

In summary, Celgar will request that the review of the BCH Section 2.5 Guidelines be suspended pending the Commission decision regarding FBC GBL Guidelines. In the alternative, Celgar will request that the review of the BCH Section 2.5 Guidelines be joined with the review of the FBC GBL Guidelines. In either case, Celgar requests that the Commission direct FBC to file GBL Guidelines as soon as is practicable following the Procedural Conference.

Yours truly,

SANGRA MOLLER LLP

Per:



K.C. Moller

KCM/ft

cc. Registered Parties

cc. BC Hydro Application Registered Parties