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February 16, 2018

Mr. Patrick Wruck
Commission Secretary and Manager
Regulatory Support
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

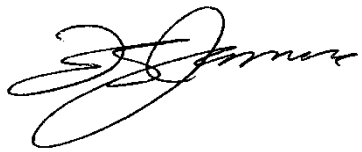
Dear Mr. Wruck:

RE: Project No. 1598933
British Columbia Utilities Commission (BCUC or Commission)
British Columbia Hydro and Power Authority (BC Hydro)
Waneta 2017 Transaction Application

BC Hydro writes to provide the Commission and Interveners with a copy of the Letter Agreement between BC Hydro and FortisBC entered into February 15, 2018 in relation to the Waneta 2017 Transaction. BC Hydro makes this submission (Exhibit B-17) in respect of its commitment from this morning's procedural conference.

For further information, please contact Geoff Higgins at 604-623-4121 or by email at bchydroregulatorygroup@bchydro.com.

Yours sincerely,



Fred James
Chief Regulatory Officer

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Enclosure

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Rohan Soulsby
Director, Business & Economic Development

15 February, 2018

Dennis Swanson
Vice President, Energy Supply & Resource Development
FortisBC Inc.
16705 Fraser Highway
Surrey, BC V4N 0E8

Re: Letter Agreement Between BC Hydro and FortisBC Inc. ("FortisBC") in relation to the Waneta 2017 Transaction

Dear Dennis:

Further to our discussion, BC Hydro provides the following.

BC Hydro and Teck have entered into the Waneta Purchase Agreement, dated August 1, 2017, pursuant to which Teck has agreed to sell and BC Hydro has agreed to purchase Teck's remaining two-third undivided interest in the Waneta Dam (the "Waneta 2017 Transaction"). A condition of the Waneta 2017 Transaction is that Teck's existing two-third interest in the Waneta Dam, and its related assets, will be leased back to Teck (the "Waneta Lease") for an initial 20-year period (extendable to an aggregate 30-year period at Teck's option no later than 24 months prior to the expiration of the initial 20-year period). During the term of the Waneta Lease, Teck will continue to own its transmission assets; however, at the expiration or termination of the Lease BC Hydro will purchase Teck's transmission assets, including Line 71, between Teck's industrial load and the U.S. border (collectively referred to as the "Transmission Assets"). In addition, under certain default scenarios, BC Hydro has the right to purchase Line 71 only prior to the end of the Lease term.

FortisBC has expressed some concerns regarding the Waneta 2017 Transaction, specifically in relation to its access to Teck's Line 71. FortisBC and BC Hydro (the "Parties") are entering into this letter agreement in order to address those concerns.

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In consideration of the mutual covenants of the Parties and other good and valuable consideration (the receipt and sufficiency of which is acknowledged by each of the Parties), the Parties agree as follows:

1. During the initial 20-year term of the Waneta Lease, BC Hydro commits it will not seek to alter the terms of the January 20, 1987 letter from Teck to West Kootenay Power & Light Company, Limited (now FortisBC) under which Teck provides transmission access on an interruptible basis to FortisBC on Line 71 (the "Teck 1987 letter"). Notwithstanding the foregoing, BC Hydro provides no assurances beyond the initial 20-year term of the Waneta Lease and is not precluded from providing notice to FortisBC if BC Hydro intends to terminate the Teck 1987 letter following the expiration of the initial Waneta Lease term.

2. Section 3 of the Memorandum of Understanding Regarding Partial Sale of Waneta Assets, dated October 30, 2009, as between FortisBC, Teck and BC Hydro (the "Waneta MOU") includes references to sections 19 and 20 of the Co-Ownership and Operating Agreement (the "COA") which will no longer be effective as of the Waneta 2017 Transaction closing date. These provisions in the COA will be replaced, respectively, by sections 4 and 5 to be included in the Waneta Transmission Agreement between Teck and BC Hydro which will become effective on the Waneta 2017 Transaction closing date (the "WTA"). The Parties agree that sections 4 and 5 of the Waneta Transmission Agreement fulfill the commitments and obligations as outlined in section 3 of the Waneta MOU.

3. Provided that the Teck 1987 letter is then in force, and subject to paragraph 4 below, in the event that BC Hydro elects to purchase the Line 71 assets or the Transmission Assets before the expiry of the initial 20-year term of the Waneta Lease, either because of a Teck default under section 11.1 of the WTA or a Teck material default under the Waneta Lease, BC Hydro will provide to FortisBC the following for a Transition Period as defined below:

    a. 150 MW of import transmission capacity on Line 71 from the U.S. border to the Kootenay Interconnection, provided that wheeling services are available to Teck pursuant to the Teck Wheeling Agreement between BC

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Hydro and Teck and only to the extent that Teck is not making use of such transmission capacity under the Teck Wheeling Agreement;

b. if the wheeling services available to Teck pursuant to the Teck Wheeling Agreement are terminated or suspended, 150 MW of import transmission capacity (consistent with BC Hydro OATT non-firm point-to-point services) from the U.S. border to the Kootenay Interconnection to the extent there is unused non-firm transmission capacity available on WECC Path 3 on a day-ahead or real-time basis; and

c. 130 MW of export transmission capacity (consistent with BC Hydro OATT non-firm point-to-point services) from the Kootenay Interconnection to the U.S. border to the extent there is unused non-firm transmission capacity available on WECC Path 3 on a day-ahead or real-time basis.

Transmission capacity to be provided in accordance with sub-paragraphs (a), (b) and (c) above will be available at the same price as contained in the 1987 letter between Teck and FortisBC; however, FortisBC is not relieved of, and will be solely responsible for, acquiring or providing applicable ancillary services.

The "Transition Period" is defined as commencing on the Line 71 Purchase Trigger Date (as defined in the WTA) or the date on which the Waneta Lease is terminated, whichever is applicable, and ending on the earlier to occur of (i) the date that is five years after the date of commencement of the Transition Period and (ii) the last day of the anticipated initial 20-year Waneta Lease term. BC Hydro has no obligation to extend the Transition Period beyond five years or to provide transmission capacity and services, as outlined in this letter agreement, following the end of the initial 20-year Waneta Lease term.

4. As soon as possible after BC Hydro becomes aware that it expects to purchase the Line 71 assets due to a Teck default during the lease period, BC Hydro will develop a tariff and application, in consultation with FortisBC, to reflect the transmission services to be provided by BC Hydro to FortisBC for the Transition Period as described in paragraph 3 of this letter agreement. BC Hydro will use all reasonable efforts to seek approval of these transmission services on an

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expedited basis, but in no event is BC Hydro obligated to provide these services unless and until they are approved by the Commission.

5. Following the initial 20-year period of the Waneta Lease, BC Hydro has no obligation to provide any transmission capacity or services to FortisBC on Line 71 other than pursuant to BC Hydro's OATT.

6. FortisBC agrees that in relation to the BCUC proceeding for the Waneta 2017 Transaction, it will make submissions in support of the completion of the Waneta 2017 Transaction and its related agreements.

7. FortisBC will not object, and to the extent required will use reasonable efforts to cause its affiliate Fortis Inc. not to object, to:

    a. the Waneta 2017 Transaction, or completion thereof, under any applicable laws, statutory review processes or regulatory proceedings, including the BCUC proceeding for the Waneta 2017 Transaction; and

    b. the filing of this letter agreement in any such regulatory or other proceedings as determined in BC Hydro's sole discretion. BC Hydro will also not object to the filing of this letter agreement by FortisBC in regulatory or other proceedings as determined in FortisBC's sole discretion.

8. FortisBC and BC Hydro will negotiate in good faith with each other and with Teck to make the necessary amendments to the Canal Plant Agreement (CPA) to implement the Waneta Lease and, in particular, to ensure that Teck as tenant under the Waneta Lease of an undivided two-thirds interest in the Waneta Plant (as defined under the CPA), will continue to have the same rights and obligations as an Entitlement Party under the CPA in respect of that interest as it does as owner of that interest prior to the completion of the purchase and sale transaction contemplated by the Waneta Purchase Agreement. To the extent required FortisBC will use reasonable efforts to cause its affiliate Fortis Inc. to also negotiate in good faith with respect to the necessary amendments to the CPA to implement the Waneta Lease as outlined in this paragraph 8.

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9. This letter agreement is intended to be legally binding on the Parties.

10. Neither Party may assign this letter agreement, or any of its rights and obligations hereunder, without the consent of the other Party.

11. This letter agreement will be governed by the laws of the Province of British Columbia.

12. This letter agreement may be executed in counterparts and delivered by electronic transmission.

Please signify your agreement to the foregoing by executing this letter where indicated below. Kindly return an executed electronic copy of this letter agreement directly to my attention.

Yours truly,

BRITISH COLUMBIA HYDRO AND POWER AUTHORITY

Rohan Soulsby

Acknowledged and agreed to this day of February, 2018:

FORTISBC INC.

Dennis Swanson
VP, Energy Supply & Resource Development

Per: _____
Authorized Signatory