



May 17, 2019

Sent via email (Commission.Secretary@bcuc.com)

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. 1598947  
British Columbia Utilities Commission (Commission)  
British Columbia Hydro and Power Authority (BC Hydro) and Boralex Ocean Falls Limited  
Partnership (Boralex)  
BC Hydro Application Requesting the Commission set a Rate for Boralex's  
Electricity Service to BC Hydro**

We are writing in response to BC Hydro's letter to the Commission dated May 15, 2019.

Boralex can confirm, unfortunately, that Boralex and BC Hydro were unable to successfully negotiate a new long-term electricity purchase agreement (EPA) to replace the current EPA between the parties that is set to expire June 30, 2019. Boralex agrees that the efforts of the parties to come to an agreement were extensive and in good faith. Boralex would like to take this opportunity to extend its sincere appreciation to the facilitator for her concerted efforts in trying to facilitate a negotiated solution between the parties.

Boralex will now need to prepare and file an application with the Commission for approval of interim and final rates and terms and conditions of service for the sale of electricity to BC Hydro. Boralex has to date focused its efforts on the negotiation of a long-term replacement EPA with BC Hydro, and will now need time to properly prepare the rate application. The application will need to include proposed terms and conditions of service, historical and forecast capital costs and operating and maintenance expenses, provide an analysis of the appropriate capital structure and return on debt and equity, and provide and address the numerous other information and matters identified by the Commission in its letter to Boralex and BC Hydro dated May 3, 2018 under the heading "Rate regulation considerations". Boralex is also currently undertaking certain engineering assessment work at Ocean Falls that will inform Boralex's forecast capital expenditures over the period covered by the rate application. This assessment work is expected to be completed by the end of June and Boralex will then need to incorporate the results of the assessment into the rate application.

The rate application, which will be the first of its kind for Boralex and Ocean Falls, is extremely important to Boralex and fairness dictates that Boralex have a reasonable amount of time to properly prepare the application. BC Hydro would rightly expect nothing less for its own



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applications. It is completely unreasonable for BC Hydro to suggest that Boralex, which does not have a regulatory affairs and rates department, can prepare and file the application, or that Boralex should somehow split the application into multiple filings, on a timetable that would allow sufficient time for the Commission to approve interim rates based on such a filing effective July 1, 2019. In practical terms this would mean that Boralex would need to prepare and file the application within two to three weeks from today.

Boralex has advised BC Hydro that it believes that it can be in a position to file its application with the Commission by August 30, 2019 at the latest. This is not a mere "preference" on Boralex's part as suggested by BC Hydro; it is required in order for Boralex to have sufficient time to properly prepare the application.

In order to provide for uninterrupted service to BC Hydro and the Bella Bella community, and to preserve the position of both parties on a without prejudice basis when the current EPA expires on June 30, 2019, Boralex has offered to extend to the term of the current EPA at the current rates until such time as the Commission issues its decision on Boralex's application and orders new rates and terms and conditions for Boralex's service to BC Hydro. The extension would be on the basis that the rates payable by BC Hydro under the EPA extension would be adjusted retroactively, with interest, to July 1, 2019 to reflect the interim and final rates approved by the Commission based on Boralex's rate application. This contractual rate adjustment mechanism, covering the period from July 1, 2019 to the effective date of the interim rates approved by the Commission, would ensure that the rates charged by Boralex and paid by BC Hydro for this brief "gap period" would be equal to the interim and then final rates approved by the Commission. Neither party is prejudiced by such an extension of the current EPA, it provides for the continued and uninterrupted service to BC Hydro after June 30, 2019 and would not require the Commission to make an interim rate order effective July 1, 2019.

BC Hydro's suggestion that the Commission establish interim rates effective July 1, 2019 (based on a rate application that Boralex cannot reasonably or fairly be expected to file within that timeframe), absent an extension of the current EPA by the parties, also raises the issue of what contractual basis would BC Hydro be purchasing electricity from Boralex after June 30, 2019.

If BC Hydro is unwilling to agree to extend the current EPA on the basis proposed by Boralex as outlined above, and the Commission is then required to fix interim rates for BC Hydro's service effective July 1, 2019, then in Boralex's submission the only fair, reasonable and practical alternative is for the Commission to set interim rates effective July 1, 2019 equal to the rates under the current EPA. Those rates could then be adjusted to reflect the interim rates approved by the Commission when Boralex files its rate application. Again, however, this action by the Commission would be unnecessary and the result the same if BC Hydro would agree to extend the current EPA as proposed by Boralex.

Yours truly,

Boralex Ocean Falls Limited Partnership



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