

C10-23

British Columbia Utilities Commission Information Request No. 1.45.4 Dated: December 8, 2017 British Columbia Hydro & Power Authority Response issued January 26, 2018	Page 1 of 1
British Columbia Hydro & Power Authority Waneta 2017 Transaction	Exhibit: B-8

45.0 Topic: Risks and potential value of the Transaction

Reference: Columbia River Treaty, Pacific Northwest Coordination Agreement, Canal Plant Agreement (CPA) Exhibit B-1, pp. 2-16-2-17, 2-20-20-22

On pages 2-16 and 2-17 BC Hydro discusses the Columbia River Treaty and the Pacific Northwest Coordination Agreement.

1.45.4 If the Canadian Entitlement were repatriated, how would this affect the potential value of this Transaction? Please elaborate.

RESPONSE:

BC Hydro does not believe the Canadian Entitlement (CE) to be an appropriate resource to rely upon in its long term resource planning generally or within the context of the Waneta 2017 Transaction specifically, for the following reasons:

1. The *Clean Energy Act* requires that BC Hydro be self-sufficient for energy and capacity by being able to supply mid-level load forecasts planning to average water from heritage hydro and only with resources in B.C. that we have contracted with or own;
2. BC Hydro is already reliant upon the electricity markets. BC Hydro plans to average water levels, which means that in a low water year we will be 4000 GWh reliant upon external electricity markets. Further, BC Hydro rarely dispatches its Island Generation IPP favouring electricity imports instead due to their low costs. As a result, most of the 2300 GWh of planned supply from Island Generation is not produced. BC Hydro relies upon in excess of 6,000 GWh/year in low water years. On a capacity side, with many less known resources supplying some capacity contributions to the system like demand side management and variable clean resources, BC Hydro relies upon external markets for backup capacity supply;
3. Access to the electricity markets and delivery of the CE all rely upon the same I-5 transmission corridor through the Seattle region that is frequently constrained. BC Hydro has previously limited the reliance on U.S. for no more than 300-500 MW due to transmission restrictions;

The Treaty can now be terminated with ten-years notice. While notice was not given for the earliest potential termination date of fiscal 2024, there is a high likelihood that negotiations between the U.S. and Canada may begin this year, and the Canadian Entitlement would be within the scope of negotiations. The U.S. has been seeking a reduction of power benefits to Canada. The timing for any revisions is uncertain but could occur as early as 2024.

In light of the forgoing, the possible repatriation of the Canadian Entitlement has, on a risk-adjusted basis, no effect on the value of the Waneta 2017 Transaction.