



LETTER L-11-12

SIXTH FLOOR, 900 HOWE STREET, BOX 250
VANCOUVER, B.C. CANADA V6Z 2N3
TELEPHONE: (604) 660-4700
BC TOLL FREE: 1-800-663-1385
FACSIMILE: (604) 660-1102

Log No. 35990

ALANNA GILLIS
ACTING COMMISSION SECRETARY
Commission.Secretary@bcuc.com
web site: <http://www.bcuc.com>

VIA EMAIL

bchydroregulatorygroup@bchydro.com

February 29, 2012

Ms. Janet Fraser
Chief Regulatory Officer
British Columbia Hydro and Power Authority
333 Dunsmuir Street
Vancouver, BC V6B 5R3

Dear Ms. Fraser:

Re: British Columbia Hydro and Power Authority (BC Hydro)
Project No. 3698623/Order G-34-11
Ruskin Dam and Powerhouse Upgrade Project
Certificate of Public Convenience and Necessity (CPCN) Application

The British Columbia Utilities Commission (Commission, BCUC) writes in response to BC Hydro's February 15, 2012 reply to the Commission's request (Exhibit A-19) for comments on BC Hydro's February 8, 2012 submission with respect to the above proceeding.

In its reply, BC Hydro requested the Commission to make a ruling:

"...with respect to the legal effect of Amended [Special Direction] SD 10 on the Project CPCN decision, and in particular concerning CEABC's [Clean Energy Association of BC] assertion that prior to issuing or denying a CPCN, the evidentiary record should be re-opened."

Amended SD 10 includes a new section 6(1) under Interim planning criteria which states:

"In deciding whether to issue a certificate to the authority under section 46 of the Act [Utilities Commission Act] for the Ruskin Dam and Powerhouse Upgrade Project, the commission must assume that the authority requires, in order to meet its electricity supply obligations, the 334 gigawatt hours per year of firm energy and 114 megawatts of dependable capacity that the project is capable of delivering by 2018 and continuing to deliver over the expected life of the project."

A number of interveners responded to the Commission's request for comments on BC Hydro's February 8, 2012 submission. B.C. Sustainable Energy Association of BC and Commercial Energy Consumers Association of BC accepted BC Hydro's interpretation of the amendments of SD 10. The Association of Major Power Consumers of B.C. advised that it has no further submissions arising from the amendments to SD 10. Kwantlen First Nation did

not disagree with, and Mr. Quigley's submission does not seem to disagree with BC Hydro's interpretation of the impact of the SD 10 amendment.

In its February 13, 2012 response to Exhibit A-19, the Clean Energy Association of BC (CEABC, CEBC) submitted that:

"... while the change in the BC Hydro planning standard from critical to average water conditions, and the cancellation of the 3,000 GWh of additional insurance by 2020 are matters that are not subject to review within the regulatory process for the Project, the resulting impact on BC Hydro's cost assumptions with respect to the Project are not exempted from review.";

"... both the cost of alternative energy supply and the value of capacity, were critical elements in the cost effectiveness evaluation of the Project. The amendments to the SD 10 have resulted in at least 8,600 GWh/year of change and this must have a profound effect on both the values for energy and capacity from the Project."; and

"Until such time as BC Hydro provides an updated load and resource balance, and its assessment of the changes on its cost assumptions, it is premature for any regulatory approval to be granted. CEBC, therefore, asserts that the finalization of the regulatory approval should be held in abeyance until such time as BC Hydro provides the updated information."

BC Hydro's February 8, 2012 submission states:

"The effect of subsection 6(1) is that no matter what the energy and capacity LRBs [Load Resource Balances] are, the BCUC must accept there is a need for the Project's firm energy and dependable capacity. Therefore, BC Hydro's evidence concerning the LRBs under different self-sufficiency assumptions ... is no longer relevant to the Project CPCN decision."

The Commission agrees with BC Hydro's assessment of the legal impact of Amended SD 10 and the relevance of LRB's under the Amended SD 10 assumption. Accordingly, the Commission denies CEABC's request to re-open the evidentiary record and require BC Hydro to provide "updated" energy and capacity LRBs.

Other matters raised in the submissions of BC Hydro and the Interveners will be addressed, as appropriate, in the application decision when issued.

Yours truly,

Alanna Gillis

RB/cms

cc: Registered Interveners