



ORDER NUMBER
G-169-17

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority
Waneta 2017 Transaction Application

BEFORE:

D. M. Morton
R. I. Mason

on November 24, 2017

ORDER

WHEREAS:

- A. On October 30, 2017, the British Columbia Hydro and Power Authority made an application requesting the following orders from the British Columbia Utilities Commission (Commission):
1. Pursuant to section 44.2(3) of the *Utilities Commission Act (UCA)*, acceptance of the expenditure schedule in regard to the Waneta 2017 Transaction as shown in the filing;
 2. Pursuant to sections 58–61 of the UCA, approval of the Teck Wheeling Agreement and Waneta Interconnection Agreement; and
 3. Pursuant to section 49(a) of the UCA, approval of three adjustments to the Non-Heritage Deferral Account (NHDA) as described in the filing (Application);
- B. The Waneta Dam is a concrete hydroelectric dam located close to the Canada-US border, near the mouth of the Pend d’Oreille River just before it enters the Columbia River, near Trail, BC. The Waneta Dam was originally constructed in 1954 to generate power specifically for use at Teck Metals Ltd.’s (Teck) Trail smelter. Generating units at the dam have a capacity of approximately 490 Megawatts (MW) and they currently produce approximately 2,670 Gigawatt hours per year. In 2010, BC Hydro purchased a one-third interest in Waneta for \$825 million (the Waneta 2010 Transaction). Teck remained the owner of the remaining two-thirds interest;
- C. As part of the Waneta 2010 Transaction, a right of first offer (ROFO) was established in regard to the subsequent sale by either party of their interest in Waneta, which permitted the non-selling party the first right to acquire the seller’s interest. In May 2017, following a competitive sales process, Teck informed BC Hydro that it had reached an agreement to sell its two-thirds interest in Waneta and related transmission assets to Fortis Inc. for \$1.2 billion;
- D. On June 1, 2017, Teck delivered a Sale Notice to BC Hydro which provided BC Hydro with the opportunity to match Fortis Inc.’s offer and purchase Teck’s two-thirds interest in Waneta under terms substantially equivalent to the Fortis offer. On August 1, 2017, BC Hydro delivered a Reply Notice to Teck which, together with the Sale Notice, constituted BC Hydro’s legally binding election to purchase Teck’s two-thirds interest in

the Waneta Dam and associated assets. Attached to the Reply Notice was an executed Waneta Purchase Agreement which sets out the sale by Teck and purchase by BC Hydro of Teck's two-thirds interest in Waneta for \$1.203 billion cash. The parties agreed that closing of the Waneta 2017 Transaction must occur by August 1, 2018.

- E. A key term of the Waneta 2017 Transaction is that the two-thirds interest in Waneta will be leased to Teck for a 20-year period (extendable to 30 years at Teck's option) in consideration of lease payments from Teck to BC Hydro;
- F. Upon expiration or earlier termination of the lease, BC Hydro will purchase Teck's transmission assets, including Line 71 (collectively, the Transmission Assets) for \$20 million. After the lease period has ended, and after BC Hydro has acquired the Transmission Assets, BC Hydro will provide a transmission wheeling service to Teck between the US border and Teck's smelter load, pursuant to the Teck Wheeling Agreement, as well as certain ancillary services, pursuant to the Waneta Interconnection Agreement;
- G. The Commission has determined that a public hearing is necessary for the review of the Application.

NOW THEREFORE the Commission orders as follows:

1. A public hearing process and a regulatory timetable, attached as Appendix A to this order, are established for the review of the Waneta 2017 Transaction Application.
2. BC Hydro must publish, as soon as practicable but no later than Wednesday, November 29, 2017, in display-ad format, the Public Notice attached as Appendix B to this order. Publication should be in such appropriate news publications within the province of British Columbia as may properly provide adequate notice to the public within 100 km of the project area, and in the Vancouver Sun and Province.
3. BC Hydro is to provide a copy of this order on its website by Wednesday, November 29, 2017, and electronically where possible, to registered interveners in the current BC Hydro F2017–2019 Revenue Requirements proceeding, registered interveners in the 2010 Waneta Application, to municipalities and regional districts within 100 km of the project area, and to those stakeholders and First Nations groups who were identified in developing this Application.
4. Intervenors who wish to participate in the regulatory proceeding are to register with the Commission by completing a Request to Intervene Form, available on the Commission's website at <http://www.bcuc.com/get-involved/get-involved-proceeding.html>, by Friday, December 8, 2017 in accordance with the Commission's Rules of Practice and Procedure.
5. The Application and supporting material must be made available for inspection at the head office of BC Hydro located at 16th floor-333 Dunsmuir Street, Vancouver, BC, and at the Commission's offices located on the 4th Floor- 900 Howe Street, Vancouver, BC.

DATED at the City of Vancouver, in the Province of British Columbia, this 24th day of November 2017.

BY ORDER

Original signed by:

D. M. Morton
Commissioner

Attachment

British Columbia Hydro and Power Authority
Waneta 2017 Transaction Application

REGULATORY TIMETABLE

Action	Date
Intervener registration	Friday, December 8, 2017
Commission information request No. 1	Friday, December 8, 2017
Intervener information request No. 1	Friday, December 15, 2017
BC Hydro response to information request No. 1	Friday, January 12, 2018
Further process	To be determined



PUBLIC NOTICE

British Columbia Hydro and Power Authority – Waneta 2017 Transaction Application

On October 30, 2017, BC Hydro applied to the Commission requesting acceptance of the purchase of Teck Metals Inc.'s two-thirds interest in the Waneta Dam for \$1.203 billion. The Waneta Dam is located close to the Canada-US border, near the mouth of the Pend d'Oreille River close to Trail, BC. It was originally constructed in 1954 to generate power for use at Teck's Trail smelter. In 2010, BC Hydro purchased a one-third interest for \$825 million. If the purchase of the other two thirds interest is approved, it will be leased back to Teck for a 20 year period (extendable to 30 years at Teck's option) and upon expiration or earlier termination of the lease, BC Hydro will purchase Teck's transmission assets for \$20 million.

HOW TO PARTICIPATE

There are a number of ways to participate in a matter before the Commission:

- **Submit a letter of comment**
- **Register as an interested party**
- **Request intervener status**

For more information, or to find the forms for any of the options above, please visit our website or contact us at the information below.

www.bcuc.com/RegisterIndex.aspx

All submissions received, including letters of comment, are placed on the public record, posted on the Commission's website and provided to the Panel and all participants in the proceeding.

NEXT STEPS

Persons who are directly or sufficiently affected by the Commission's decision or have relevant information or expertise and that wish to actively participate in the proceeding can request intervener status by submitting a Request to Intervene Form by December 8, 2017.

GET MORE INFORMATION

All documents filed on the public record are available on the "Current Proceedings" page of the Commission's website at www.bcuc.com.

If you would like to review the material in hard copy, or if you have any other inquiries, please contact Patrick Wruck, Commission Secretary, at the following contact information.

British Columbia Utilities Commission



Suite 410, 900 Howe Street
Vancouver, BC Canada V6Z 2N3



E: Commission.Secretary@bcuc.com



P: 604.660.4700