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April 17, 2019

E-filed

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, BC V6C 2N3

Attention: Patrick Wruck, Commission Secretary

Dear Mr Wruck:

Re: British Columbia Hydro and Power Authority Electricity Purchase Agreement Extension Applications for Armstrong Wood Waste Co-Generation and NWE Williams Lake Wood Waste Facilities ~ Project No.1598954

We write on behalf of BC Hydro to submit the enclosed supplementary final argument in accordance with the regulatory timetable established by the Commission's Order G-75-19.

Yours very truly,

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BRITISH COLUMBIA UTILITIES COMMISSION

**BRITISH COLUMBIA HYDRO AND POWER
AUTHORITY**

**ELECTRICITY PURCHASE AGREEMENT
EXTENSIONS FOR ARMSTRONG WOOD WASTE
CO-GENERATION AND NWE WILLIAMS LAKE
WOOD WASTE FACILITIES**

**British Columbia Hydro and Power Authority
Supplementary Final Argument**

April 17, 2019

A. Introduction

1. On February 27, 2018, British Columbia Hydro and Power Authority (**BC Hydro**) filed (the **Filing**) with the British Columbia Utilities Commission (**BCUC**) the following two energy supply contracts:
 - An agreement dated November 17, 2017, between BC Hydro and Tolko Industries Ltd. (**Tolko**) that amends and extends a 2009 electricity purchase agreement (**Tolko Armstrong Extension Agreement**) for its wood waste co-generating facility near Armstrong, B.C. (**Armstrong Co-Gen Facility**) until June 30, 2019 (or September 30, 2019 if BC Hydro exercises its option to extend the end date); and
 - An agreement dated December 29, 2017, between BC Hydro and Atlantic Power Preferred Equity Ltd. (**Atlantic Power**) that amends and extends a 1990 electricity purchase agreement (**NWE Extension Agreement**) for its wood waste generating facility near Williams Lake, B.C. (**NWE Williams Lake Facility**) until June 30, 2019 (or September 30, 2019 if BC Hydro exercises its option to extend the end date).
2. The Tolko Armstrong Extension Agreement and the NWE Extension Agreement are referred to collectively as the "**Extension Agreements**".
3. Through the spring and summer of 2018, the BCUC conducted a written hearing process to review the Filing, and BC Hydro and two interveners submitted final arguments in August. BC Hydro's Final Argument dated August 7, 2018 reviews the basis for BC Hydro's position that the BCUC ought to find that the Extension Agreements are in the public interest.
4. Subsequently, by Order G-204-18 dated October 22, 2018, the BCUC re-opened the evidentiary record and issued Panel Information Request (**IR**) No. 2 to BC Hydro (Exhibit A-10) directing BC Hydro to file its response four weeks following the release of a report with respect to the Government Review of BC Hydro then underway. On March 15, 2019, BC Hydro submitted its response to

the Panel's IR No. 2 (Exhibit B-9), which includes the Ministry of Energy, Mines and Petroleum Resources Comprehensive Review of BC Hydro: Phase 1 Final Report (the "**Ministry's Phase 1 Report**") released on February 14, 2019.

5. As contemplated in the Ministry's Phase 1 Report, on April 1, 2019 the government enacted the Direction to the BCUC Respecting the Biomass Energy Program (B.C. Reg. 71/2019).
6. By Order G-75-19 the BCUC established the remainder of the regulatory timetable for the proceeding consisting of supplementary final arguments on the following two matters:
 - (i) BC Hydro's response to Panel IR No. 2, including the Ministry's Phase 1 Report; and
 - (ii) the Direction to the BCUC Respecting the Biomass Energy Program.

B. Supplementary Submissions

7. Waste biomass generated by the forestry sector, including from saw mills and pulp and paper mills, is currently being used as a fuel source to generate electricity for delivery to BC Hydro pursuant to a number of EPAs, including the Extension Agreements that are the subject of the Filing. The Ministry's Phase 1 Report discusses how these arrangements are providing benefits to both the biomass generating facilities and the saw mills as there are limited economically viable alternative uses for this waste biomass at this time.¹ In the absence of the contract with BC Hydro, some of these biomass generating facilities might no longer operate, which means that the wood waste may then need to be placed in landfills or burned in slash piles, leading to higher emissions of methane and/or particulates and implications for jobs and the economy in forestry-dependent communities.² BC Hydro's Final Argument also highlights the wood waste disposal

¹ Ministry's Phase 1 Report, page 24.

² *Ibid.*

issues and other negative impacts that would arise in the areas around the NWE Williams Lake and Tolko Armstrong facilities if these facilities shut down.³

8. The Ministry's Phase 1 Report outlines government's Renewable Fuels Acceleration Strategy to advance the development and implementation of biofuels, including working with the forestry sector on a shift from the current use of waste fibre for electricity production to using such fibre to produce biofuels.⁴ Such a shift could take a number of years. As a transitional measure, for those biomass facilities that have existing EPAs expiring before March 31, 2022, BC Hydro will continue to acquire electricity under the Biomass Energy Program.⁵ BC Hydro will acquire up to 80% of the aggregate energy volume that these biomass generators have historically delivered to BC Hydro.
9. BC Hydro's Filing, IR responses and its Final Argument dated August 7, 2018 explain that the Extension Agreements are short-term extensions to the existing EPAs for the Armstrong Cogen Facility and the NWE Williams Lake Facility and were intended to act as bridging mechanisms until the biomass fibre study then underway is completed and the Biomass Energy Strategy then in development with government is finalized and implemented. The Ministry's Phase 1 Report publicly announces the Biomass Energy Program that has resulted from that work.
10. The Ministry's Phase 1 Report clearly sets out the Province's support for the continuing operation of biomass generating facilities with expiring EPAs. As contemplated in the Ministry's Phase 1 Report (at page 26), the government has enacted the Direction to the BCUC Respecting the Biomass Energy Program providing that "biomass contracts" that BC Hydro enters into between April 1, 2019 and December 31, 2021 with any of seven prescribed biomass energy facilities, including the Armstrong Cogen Facility and the NWE Williams Lake Facility,⁶ are exempt from BCUC review and consideration pursuant to section 71 of the *Utilities*

³ BC Hydro Final Argument, Parts D and E.

⁴ Ministry's Phase 1 Report, page 26.

⁵ Ministry's Phase 1 Report, pages 25-26.

⁶ Direction to the BCUC Respecting the Biomass Energy Program, paragraphs (a) and (b) of the definition of "biomass facility", respectively.

Commission Act. Additionally, in setting rates for BC Hydro, the BCUC may not disallow for any reason the recovery in rates of BC Hydro's costs with respect to such a biomass contract.⁷

11. The Extension Agreements extend the existing EPAs with the Armstrong Cogen Facility and the NWE Williams Lake Facility until June 30, 2019 (or September 30, 2019 if BC Hydro exercises its option to extend the end date). Pursuant to the Biomass Energy Program, BC Hydro expects to enter into longer-term contracts with these facilities by June 30, 2019 or shortly thereafter.

C. Conclusion

12. The Ministry's Phase 1 Report and the Direction to the BCUC Respecting the Biomass Energy Program (B.C. Reg. 71/2019) provide clear direction in regards to the Province's support for the continuing operation of the Armstrong Cogen Facility and the NWE Williams Lake Facility pursuant to contracts with BC Hydro.
13. The Extension Agreements have successfully:
 - enabled the Armstrong Cogen Facility and the NWE Williams Lake Facility to continue to operate, the benefits of which are outlined in the Ministry's Phase 1 Report and in BC Hydro's Final Argument dated August 17, 2018; and
 - maintained for BC Hydro the option to move forward with longer term contracts to acquire electricity from these facilities, which it now intends to do under the Biomass Energy Program as supported by the Province.
14. BC Hydro also encourages the BCUC to review the letters of comment submitted in this proceeding, including the letters of comment that were submitted after the evidentiary record was re-opened: Williams Lake & District Chamber of Commerce letter (Exhibit E-1-1), City of Williams Lake additional letter (Exhibit E-2-1), MLA for

⁷ Direction to the BCUC Respecting the Biomass Energy Program, section 4.

Cariboo North letter (Exhibit E-4), Community Futures Cariboo Chilcotin letter (Exhibit E-5), and Sandman Hotel & Suites Williams Lake letter (Exhibit E-6).

15. For all of the reasons set out in the Final Argument, the Reply Argument and in this Supplementary Final Argument, BC Hydro respectfully submits that the BCUC ought to find that the Extension Agreements are in the public interest and accept them pursuant to section 71 of the *UCA*.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 17TH DAY OF APRIL 2019.

Counsel for British Columbia Hydro and Power Authority



Ian D. Webb