

1. ATCO's submission indicates that the project will only serve 1/3 of Progress' energy requirements. Is this 1/3 for the NMPS project only? If so, do you know where Progress will be obtaining the remaining 2/3 power supply they will require? Subsequent to this, if Progress requires more than 1/3 energy requirements, would ATCO be serving this need or would BC Hydro?

The remaining 2/3 energy requirements for Progress will be served by gas drives, not electricity. Subsequent to this, if Progress requires additional power and Atco has excess capacity, they could connect to the Atco system. Please note that Progress would have had to invest in a gas driven solution in the interim so they may not switch to electricity.

2. ATCO's submission is seeking Ministerial exemption under Section 22 based on meeting critical timelines. Can you please confirm if a Final Investment Decision (FID) has been made? If not, when does ATCO expect a FID and how does this fit into your timeline?

A Final Investment Decision (FID) has not been made. A conditional approval was made in June 2015. This is based on receiving approval by the province of BC (received license approval this past summer). Progress is still waiting on a Federal decision (Environmental Approval) which is expected in the first quarter of 2016. A Progress FID is expected by ATCO in the first quarter of 2016.

In terms of fitting the timeline, ATCO is looking at a March 2018 as the in-service date. The long lead-time is required as planning has estimated it will require two winter seasons for construction. If ATCO misses the timeline, it could have an impact on Progress and whether they go gas-driven or electrical power.

3. ATCO's submission states that third party interconnections to the system are not being contemplated at this time as the risk is prohibitive. You then state that once certainty is achieved you would consider this. Can you please clarify this in the context of the statement in the first paragraph where you would re-engage the BCUC for an appropriate regulatory structure once third party interconnections are contemplated?

The decision to not contemplate third party connections at the start, was based on not wanting to complicate and therefore slow down the submission process. Third party connections (i.e., BC Hydro serving non-industrial customers could be considered in the future. There would be a physical connection cost but ATCO would not charge a 'wheeling fee' for transporting energy. It is contemplated under the Exemption that third party connections can be served off the system without having to go back to the CPCN.

4. ATCO's submission states that "Substantial components of the CPCN scope are being covered through other project permitting processes. Can you please clarify what these components are and how they are being addressed through other project permitting processes? Is there a time frame for those permits being issued?"

The other permitting processes include meeting the requirements of FLNRO and First Nations consultations. They would include components such as looking at migratory birds, right of way. ATCO is currently working on this. The consultations do not include meeting with residents. The consultations would be the same as BC Hydro or other companies.

5. ATCO's submission states that Atco will serve as an infrastructure intermediary and not own the electric power being supplied. Can you please clarify, 'Who will invoice Progress (i.e., ATCO or BC Hydro)? In addition, who will have the future responsibility of maintaining the line and the need of pole replacement or other maintenance going forward?"

Progress will get two invoices. One from BC Hydro. This is for the transmission rate charged for the electricity used. Progress will also get an invoice from ATCO for the use of the NMPS transmission line – line used to transport energy that is owned by ATCO.

In terms of future responsibility of maintaining the line, Progress is responsible for any maintenance costs and ATCO is responsible for the performance of the transmission line. If Progress is taken over by another buyer or the NMPS section is sold to another buyer, the new buyer would assume the responsibility of maintaining the line.

6. Under the Project overview ATCO plans to build, own and operate two substations and approximately 140 km of transmission and 70 km of distribution. What is entailed in the operations and at whose cost?"

The Operations include ensuring the line is safe, system monitoring, responding to any outages, reliability, and switching by ATCO. Progress is solely responsible for these operating costs under contract with ATCO.

7. Can you please clarify what is meant by Progress being a counterparty to the Electricity Supply Agreement with BC Hydro and ATCO a counterparty to the Facilities Agreement with BC Hydro?"

Progress will be responsible to pay for all energy obtained from BC Hydro– pay for the use of electricity in the form of an Electricity Supply Agreement. BC Hydro also has a Facilities Agreement with Progress based on the use of BC Hydro interconnection (i.e. GM Shrum sub-station) and ATCO, as the operator of the NMPS transmission line, is a counter party to the Interconnection Agreement with BC Hydro.

Chris Cvik

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**From:** Stan.Miller@atcoelectric.com  
**Sent:** Friday, October 30, 2015 1:04 PM  
**To:** Director Karen Goodings; Chris Cvik  
**Cc:** Oswald.Dias@gov.bc.ca  
**Subject:** ATCO NMPS Exemption  
**Attachments:** North Montney Power Supply Project March 12 2015.pdf; ATCO Ministerial Exemption Request FINAL.DOCX

Good afternoon Karen and Chris,

As requested by the Peace River Regional District (PRRD) via the Ministry, please find attached our application for Ministerial exemption under Section 22 of the Utilities Commission Act for the North Montney Power Supply (NMPS) to serve Progress Energy.

After your review of the application, I would like to take the opportunity to discuss any questions you may have, please let me know when it would be convenient for you.  
My contact information is in my signature info below.

Regards,

*Stan Miller*  
Manager, Key Customer Accounts  
Transmission Division  
\*\*\*\*\*  
**ATCO Electric Ltd.**  
E-Mail [stan.miller@atcoelectric.com](mailto:stan.miller@atcoelectric.com)  
Phone - (780) 420-4149  
Cell - (780) 265-0648  
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December 11, 2015



**ATCO Ministerial Exemption Request**

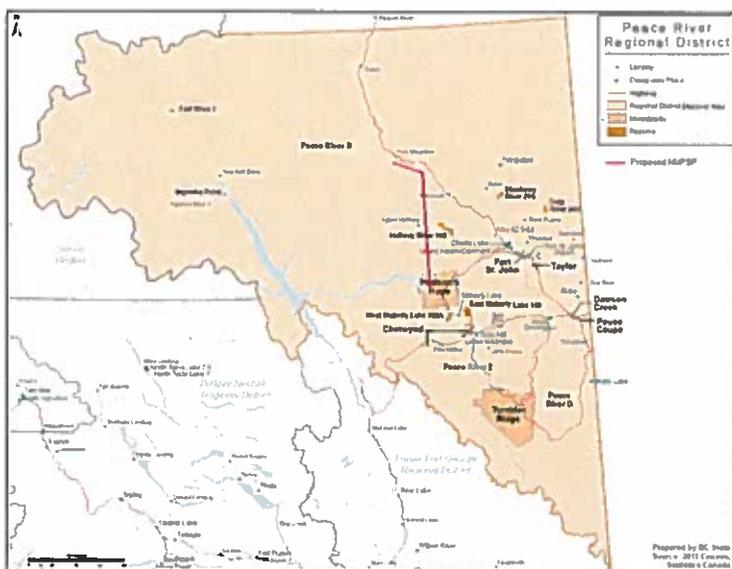
Date: April 22, 2015

Contact: Etienne Snyman

This document serves to describe the application by ATCO Power Canada Ltd for an Exemption (Per Section 22) from Part 3 and Section 71 of the Utilities Commission Act for Transmission and Distribution of Electrical Power in the Peace River Regional District.

**Background**

A. ATCO Power Canada Ltd (“ATCO”) is proposing to develop, build, own, and operate the North Montney Power Supply Project (“NMPSP”) electrical infrastructure in the Peace River Regional District.



B. The NMPSP will serve as a transportation medium for electricity sourced from BC Hydro. ATCO will at no point take ownership of the electricity being transmitted.

C. ATCO will transfer ownership of (up to) the first eight (8) kilometers of transmission line (“Stub Line”) directly connected to BC Hydro’s GM Shrum

Generation Station (“GMS”) to BC Hydro, to advance the public interest, and provide BC Hydro with an alternative interconnection point.

- D. ATCO states that BC Hydro and Progress Energy Canada Ltd (“Progress Energy”) have agreed in principal on the development of this the GMS interconnection, transfer of the Stub Line, and provision of electricity to Progress Energy.
- E. The NMPSP will initially be developed to serve sites operated by Progress Energy.
- F. The NMPSP may be expanded with additional facilities to serve other electrical loads in the area not served by BC Hydro transmission, distribution or substation infrastructure, and will do so at rates bilaterally negotiated between ATCO and the interconnecting parties.
- G. All interconnected parties will take electricity service from BC Hydro.

**Request**

- A. Pursuant to Section 22 of the Act, ATCO Power Canada Ltd. request exemption from Section 71 and Part 3 of the Act (except Section 22 of the Act) for any equipment, facility, plant, project, activity, contract, service or system to supply electricity in the Peace River Regional District.
- B. The exemption will apply to a party related to ATCO Power Canada Ltd., whether by joint venture of other commercial arrangement, to affect the purposes of, the project as described in “Background” above.
- C. ATCO will be responsible for the safe and proper operation of its facilities consistent with the requirements of the British Columbia Safety Standards Act.

Commented [ES1]: Electrical Safety Branch?



March 10, 2015

Mr. Les MacLaren  
Assistant Deputy Minister, Electricity and Alternative Energy Division  
PO Box 9314, Stn Prov Gov  
Victoria, BC V8W 9N1

Dear Mr. MacLaren

**RE: North Montney Power Supply Project - Request for Ministerial Exemption**

ATCO is seeking a Ministerial exemption under section 22 of the *Utilities Commission Act* ("UCA") from BCUC regulation for the initial phase of the development, with the commitment to re-engage the BCUC for an appropriate regulatory structure once third party interconnections are contemplated. ATCO believes this approach will enable the project to proceed while being consistent with the intent of utility regulation in British Columbia. Accordingly, ATCO is requesting to meet with yourself to discuss this project at your earliest convenience

Progress Energy is developing gas production capacity in the North Montney Basin in support of the Pacific Northwest LNG project proposed by Petronas, Progress' parent company.

ATCO is developing an electrification project consisting of both transmission and distribution facilities to serve approximately a third of Progress' energy requirements. By utilizing BC Hydro supplied power instead of burning natural gas, Progress expects to decrease emissions in the region by approximately a third. Progress further expects to realize improved equipment performance, decreasing the risk associated with gas delivery to LNG facilities.

The project is being developed on an aggressive schedule to meet with Progress timelines. Failure to meet these timelines reduces the feasibility of electrification and poses a substantial threat to the project proceeding. Accordingly, ATCO's focus thus far has been to advance the development in a manner that minimizes schedule risk to Progress. No third party interconnections to the system have been assumed as the risk associated with tri-party sanctioning is prohibitive. ATCO will however entertain third party interconnections once certainty on delivering the project for Progress has been established.

ATCO has had preliminary meetings with the BCUC to discuss regulatory requirements and options for this project. Based on those discussions, ATCO has determined that there is significant schedule risk associated with proceeding under the standard utility regulation process and obtaining a CPCN from the BCUC to construct and operate the planned facilities. In order to meet the critical timelines and ultimately proceed with this project, a section 22 Ministerial exemption is required to satisfy the requirements under the UCA. ATCO believes this approach is justified from a need and public policy perspective for the following reasons:

- Project promotes Government's Energy Objectives (e.g. electrification versus natural gas generation; improving the electric infrastructure in Northeast BC with private capital and increasing long-term electrification opportunities for the area).
- Substantial components of the CPCN scope are being covered through other project permitting processes.

December 11, 2015

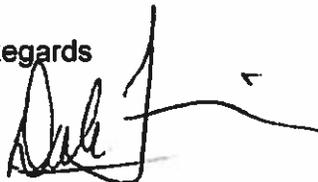
- First Nation notification/consultation/participation is being completed and reviewed for adequacy by FLNRO under the land tenure process.
- Public notification/consultation/engagement is being completed as part of the projects land acquisition process with landowners and other regulators, and a platform for public participation is made available under the FLNRO process.
- Progress and ATCO assume all financial risk, so public interest is not harmed.
- Progress's sanctioning is the justification of the Need required under CPCN.
- ATCO's offer to construct an alternative connection for BC Hydro (GMS expansion) advances the public interest.
- ATCO and Progress are two sophisticated parties that agree on financial terms and rates.
- ATCO will serve as an infrastructure intermediary and at no point own the electric power being supplied by BC Hydro to Progress.
- The project development is subject to Progress sanctioning, and as such ATCO does not have monopoly power.
- ATCO will discuss regulatory strategy around extensions with stakeholders (inform of the opportunity to connect in the future, but that there is no plan to connect any third parties at the moment).

#### Project Overview

- ATCO plans to build, own and operate two substations and approximately, 140km of transmission (138kV and 230kV) and 70km of distribution (25kV) lines in Northeast BC. See attached map.
- The transmission line will extend North from the GM Shrum (GMS) Generating Station toward Pink Mountain.
- The distribution networks will extend out from the two substation sites to connect Progress load centres.
- Tentative Project Schedule: Construction Start November 2015, ISD Q3 2016
- ATCO has had ongoing discussions with BC Hydro regarding planned project and will transfer the first ~8km of transmission line out of GMS to BC Hydro to enable future expansions.
- Progress Energy will be the counterparty to the Electricity Supply Agreement with BC Hydro. ATCO will be counterparty to the Facilities Agreement with BC Hydro.
- Progress and BC Hydro Term Sheet has been executed.
- Schedule is crucial to project success, and as such ATCO is considering a multi phased approach:
  - Phase I: Proceed with development of electric facilities to serve Progress with no provisions for 3<sup>rd</sup> party interconnections.
  - Phase II: Review Public Utility status and regulatory structure once a potential 3<sup>rd</sup> party interconnection becomes tangible.

ATCO thanks you for your attention on this matter and we look forward to the opportunity to meet and discuss this project with you in greater detail. Please advise if you require any further information prior to such discussions taking place.

Regards



Dale Friesen  
Vice President, Environmental

December 11, 2015