

FROM:

CHARLES RUTLEDGE
MILL MANAGER & PRESIDENT
IP CANADA PULP HOLDINGS

BAG 3000 12 KM SOUTH RESOURCES ROAD
GRANDE PRAIRIE, AB T8V 6V4

T 780-539-8475
M 780-296-0887
charles.rutledge@ipaper.com

DATE:

February 14, 2020

TO:

Via Email (trevor.richards@auc.ab.ca)

Alberta Utilities Commission
1400, 600 Third Avenue SW
Calgary, AB T2P 0G5

Attention: Mr. Trevor Richards

Dear Mr. Trevor Richards:

Re: Stakeholder Comments on AUC Bulletin 2020-01 entitled "Exploring market concerns and tariff issues related to self-supply and export reform"

In response to Bulletin 2020-01 issued on January 9, 2020 ("**Bulletin 2020-01**") by the Alberta Utilities Commission (the "**AUC**" or the "**Commission**"), International Paper Canada Pulp Holdings ULC ("**International Paper**") provides responses to the following questions:

Question 1

Please provide your views on the concerns expressed by Capital Power about the impact of unlimited self-supply and export on the energy-only market. Please comment on whether, or to what degree, such concerns may be addressed through changes to market rules or to existing transmission and distribution tariffs.

Question 2

Please comment on the following:

- (a) The concerns expressed by AltaLink about allowing unlimited self-supply and export under the current tariff structure.
- (b) The potential impacts of changing existing tariff structures to eliminate net billing for transmission-connected generation, transmission credits for distributed-connected generation, and the Alberta Electric System Operator's use of the 12-coincident peak methodology to recover bulk transmission costs.
- (c) Whether other tariff-based solutions exist to ensure that the transmission and distribution costs are fairly allocated between users.
- (d) If you believe that no changes to the current tariff framework are required please provide your rationale for that position.

Background

International Paper is a Canadian subsidiary of International Paper Company (“IPC”). IPC is one of the world’s leading producers of fibre-based packaging, pulp and paper, employs more than 50,000 people worldwide and serves more than 25,000 customers in 150 countries. In Canada, International Paper owns and operates a Kraft pulp mill and a 48-megawatt (“MW”) cogeneration plant at the Grande Prairie Pulp Mill Complex. On January 10, 2020, immediately following the Commission’s issuance of Bulletin 2020-01, the AUC issued Decision 24979-D01-2020 granting International Paper’s Grande Prairie Pulp Mill Complex industrial system designation and a permanent connection order.

International Paper’s Grande Prairie Pulp Mill Complex, including the 48 MW cogeneration facility, commenced operating in 1972. This facility was required to operate under a temporary interconnection order until 2019 when the necessary system upgrades were completed to facilitate permanent interconnection. Soon after completion of the necessary transmission system upgrades, AUC Decision 23418-D01-2019,¹ created a new and additional regulatory burden of applying for an industrial system designation to obtain a permanent connection order. This requirement was not due to any amendments or changes by International Paper to the Grande Prairie Pulp Mill Complex but simply to facilitate operation of the Grande Prairie Pulp Mill Complex in the same manner it had been for over 40 years. What differentiates International Paper’s facility from other industrial cogeneration facilities operating under historic AUC approvals was the need for a permanent connection order, which made it impossible to continue operations pending the outcome of this consultation and the regulatory and legislative changes which may follow.

Notwithstanding being granted an industrial system designation, International Paper continues to support implementation of Option 3 (unlimited self-supply and export).²

Question 1

In acquiring the Grande Prairie Pulp Mill Complex from Weyerhaeuser Company in 2016, IPC and International Paper made a significant investment in Alberta’s economy and its electricity market based upon an assessment of the financial risk and reliance on the AUC’s historical and long-standing interpretation and application of the regulatory framework.

International Paper’s experience with the Grande Prairie Pulp Mill Complex demonstrates how sudden regulatory change can cause unforeseeable regulatory burden and unintentionally discourages future investment. Unilateral changes which do not consider the broader market or which consider only one tariff, one statutory exemption or one set of market rules have significant impacts on market participants who have made a significant investment in Alberta. Encouraging investment in Alberta and the entrance of new market participants must be a critical factor in any assessment of changes to market rules or existing transmissions and distribution tariffs.

Therefore, any concerns about the impact of unlimited self-supply and export on the energy-only market require both a clear legislative and policy framework and an omnibus regulatory process to facilitate disclosure and to provide opportunities to present and test evidence. Addressing these issues through the confines of existing structures of transmission and distribution tariffs favours the status quo and focuses the impacts of allowing unlimited self-supply and export on the impacts to individual distribution and transmission facility owners and the rate payers. Such an approach, by design, does not address the rapidly changing Alberta electricity market due,

¹ Decision 23418-D01-2019: EPCOR Water Services Inc. – E.L. Smith Solar Power Plant, Proceeding 23418, Application 23418-A001 (20 February 2019).

² International Paper Canada Pulp Holding ULC, E-mail to Trevor Richards re AUC Bulletin 2019-16 (11 October 2019).

in part to technological advancements, increased self-supply, and the increase in distribution connected generation leading to competition between distribution and transmission facility owners.

Legislative leadership is required to set the policy drivers and the relative weight of market signals to continue to encourage investment in the Alberta electricity market. Such leadership is also required to ensure that existing and future investments in Alberta, like the one made by IPC and International Paper, are not discouraged.

Question 2

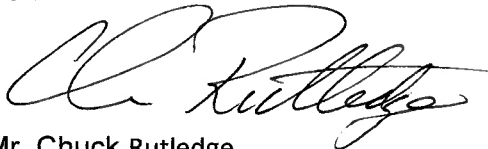
In response to Question 2, International Paper does not have sufficient information to comment on the concerns raised by AltaLink regarding unlimited self-supply and export under the current tariff structure. The timelines of this consultation and lack of information regarding specific tariff amendments and solutions are not conducive to the analysis required to formulate substantive comments. In order to assess each of the items listed in Question 2, a formal regulatory process with disclosure, written and expert evidence is required. As a result, if there are challenges to implementing Option 3, favoured by International Paper and a majority of the stakeholders, these challenges should be considered with proposed changes and solutions in a transparent and comprehensive forum with evidence, experts and debate.

International Paper appreciates the opportunity to provide comment in response to Bulletin 2020-01 and looks forward to participating in any further process the Commission may establish to address these important questions. If you have any questions regarding this letter, please contact the writer at 780-539-8475 or by email at Charles.Rutledge@ipaper.com.

Yours truly,

International Paper Canada Pulp Holdings ULC

Per:

A handwritten signature in black ink, appearing to read "Chuck Rutledge". The signature is fluid and cursive, with a large initial "C" and "R".

Mr. Chuck Rutledge
International Paper Company
Mill Manager & President IP Canada Pulp Holdings