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January hearings on Duke Point electricity generation

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The BC Utilities Commission (BCUC) will hold oral hearings and town hall sessions in Nanaimo, starting on January 12, to consider whether it should approve an 'Electricity Purchase Agreement' and an Agreement transferring existing assets of the previously rejected Vancouver Island Generation Project from BC Hydro to Duke Point Power LLP.

The Agreements that BCUC will consider came at the end of Hydro's year-long Call for Tenders process. The tender process had been specified by BCUC after it concluded that the Vancouver Island Generation Project (VIGP) was not the most cost-effective way of ensuring a future power supply for Vancouver Island. However, despite a variety of alternatives, Hydro finally chose to submit a privatized version of the VIGP.

Vancouver Meetings

The decision to hold the Nanaimo hearings and the scope and process of the hearings was reached at meetings in Vancouver on November 29 & 30.

These meetings brought together all the old antagonists from the VIGP hearings. It was apparent from the outset that BC Hydro was not going to get an easy ride in their attempt to gain BCUC approval for the new/old project.

Registered as intervenors were several public interest groups, including GS-X Concerned Citizens and BC Citizens for Public Power; plus the Joint Industry Electricity Steering Committee, representing industrial power users; some unsuccessful bidders in the tender process, including Green Island Energy from Gold River; Williams Pipelines, builders of the proposed GS-X gas pipeline; Terasen Gas Vancouver Island (TGVI)—a possible supplier of natural gas to the plant; a representative from the Green Party; and a number of knowledgeable individuals.

Hydro Attempts to Limit BCUC Scope

The discussion of what process the BCUC should follow provided an opportunity for each of these groups (plus BC Hydro and Duke Point Power, of course) to argue for consideration of their current positions.

Hydro argued that since the Agreements resulted from the Call For Tender process, which had been certified as fair by an Independent Reviewer (PriceWaterhouse), that the results must necessarily meet the cost-effectiveness requirements of

the BCUC. (Later statements suggested that the Reviewer had not reported to BCUC, but only to Hydro.)

BC Hydro also argued for a large number of items to be declared beyond the scope of this enquiry, saying that the corporation is only buying power, and BCUC need not look at any aspect of how it was produced.

BC Hydro also argued that the actual figures in the contract were commercially confidential, and offered only a *pro forma* draft, with key figures redacted (blacked out), for use in the hearings. Striking the balance between confidentiality and transparency, a key item in all privatizations, was again under discussion.

Hydro did not want BCUC to look at any of the losing bids, but only the final agreement. Yet a number of intervenors questioned the fairness of the process, particularly minimum and maximum limits on the power supplied, which tended to disqualify smaller suppliers and, they said, favoured the choice of gas-fired generation, despite the fact that it would produce more power than would be foreseeably required.

Hydro also argued that because the financial risk was to be taken by the private sector, that the BCUC need not enquire too closely into the terms of the contract. The BCUC, however, felt that the price of natural gas (which would be paid by Hydro, not Duke Point Power) and the arrangements for its transportation (probably by TGVI, though it appeared that TGVI and Hydro had been unable so far to reach an agreement) were fit subjects for its concern.

Finally, Hydro argued for a speedy approval so that the target in service date of fall 2007 could be met.

Gold River Grievances

Mayor Lewis of Gold River argued that the Green Island Power proposal, upon which his town depends, was not given fair consideration. In particular, he asked why bidders proposing gas-fired generation could have their fuel cost risks covered by Hydro, but bidders proposing other fuels (Green Island uses wood waste and possibly garbage) could not; this, he said, was just one example of unfairness. Green Island, he said, was 'stranded' in the tender process because it was not large enough to stand by itself nor did Hydro make any attempt to combine it with other options.

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The Joint Industry Electricity Steering Committee made the point that just because the Independent Reviewer felt the process was fair, it did not mean that Hydro had come to the correct conclusions. They questioned whether the utilization of the new plant would be sufficient to bring unit costs down (it appears that the reimbursement of fixed costs and guaranteed return on capital investment is a significant part of the proposed payments to Duke Point Power). They challenged whether the Call For Tenders actually represented a 'full canvassing' of all options, suggesting that Hydro's change in the middle of the process from 25 years to 35 years life eliminated cogeneration options because the existence of the host plants could not be guaranteed that long. Finally, they suggested that in choosing an option whose capacity was far greater than the Island required, they had added to the calculation 'speculative profits' to be made by selling surplus power over 25 years!

Decision on Scope and Timing

After hearing all the arguments, BCUC Chair Hobbs agreed that because the building of a new 230kV line to the Island is assumed, the scope of the hearings should include on-Island generation only. Hobbs also said that the BCUC should consider terms of the Electricity Purchase Agreement: availability and reliability risks, penalty provisions, the gas supply price risk, gas transportation arrangements (but not the GS-X), and whether 'design bias' is an issue. (This is not an exhaustive list.)

As for timing, January 12 hearings in Nanaimo, will go on as long as needed, hopefully to be concluded by January 17. Town Hall meetings would be held each evening until all members of the public who wished to express opinions on the subject had been heard.✉

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