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Hydro's flawed call for tenders & other electric news ~ Patrick Brown

The BC Utilities Commission rejected Hydro's proposal for a gas turbine generation plant at Duke Point because BCUC thought that it was not the most economic way to obtain additional electricity for Vancouver Island, and told Hydro that they must initiate a Call for Tenders (CFT) to explore alternative ways of obtaining additional power for Vancouver Island.

However, under the terms of the CFT, BC Hydro appears to be favouring private sector proposals to build the gas turbine generation plant, by offering to sell their preparatory work to the successful private bidder for at least \$50 million less than its cost to Hydro. (Expressions of interest from twelve companies included purchasing Hydros' fire-sale Duke Point assets)

This windfall for the successful bidder would also have the effect of making the privatized project appear more 'economic.' Hydro will be able to present it within CFT and BCUC may well accept it.

BCUC approved Hydro's CFT process on January 23, despite objections by NorskeCanada and the Joint Industry Electricity Steering Committee that the CFT process was biased towards a 'privatized' version of Hydro's gas turbine generation proposal.

Hydro's CFT also appears to limit generation alternatives to production of large amounts of continuous power, effectively excluding any strategy that includes 'green' alternatives. Strategies to reduce demand are also excluded.

Net metering, which permits some power users to be given credit for the power they themselves may generate and feed back into the grid, is not being considered as part of the strategy. The criteria that will be used to judge proposals appears to have settled down to purely cost considerations, with greenhouse gas and environmental factors given little weight. This may well reflect the original BCUC decision, which emphasized 'cost-effectiveness'.

In all, it is a much narrower approach to Vancouver Island's electricity planning than should have been taken.

Chicken & Egg?

BC Hydro's persistence in pursuing its Duke Point plans may be explained in part by the federal National Energy Board's

approval for the GSX pipeline. The NEB ruled that the pipeline poses no particular environmental hazard but that it is only economically justified if Hydro buys all the gas for use at a Duke Point-type plant. The NEB pipeline approval has been made contingent on the plant being built.

However BCUC ruled that Hydro had not proven that the Vancouver Island Gas Project/GSX combination is the most cost-effective way to provide additional power to Vancouver Island.

Cock-eyed Process?

Meanwhile, Hydro has recently started preparation of a new 'Integrated Electricity Plan' (IEP) for the entire province. Some have suggested that electricity planning for Vancouver Island should follow the new IEP, not precede it.

The last such plan was written in 1995, and was 'updated' in 2000 to include the original VIGP/GSX proposal. It failed to anticipate the steady increase in natural gas prices, overestimated Vancouver Island consumption growth, and underestimated the potential for electricity conservation.

Currently, the role of the Burrard Thermal Generating Station is being evaluated (since it runs on price-volatile natural gas).

Hydro is also hedging its bets by requesting that the newly 'privatized' BC Transmission Company be prepared to put the first phase of a 230Kv transmission line from the Mainland (to replace the old HVDC line) into service in 2009.

How Much Power Does Vancouver Island Really Need?

BC Hydro anticipates a potential power shortage in 2007, when it plans to 'decommission' the existing HVDC powerline that carries power from the mainland across Galiano and Salt Spring Islands to Vancouver Island. To fill the shortfall Hydro had proposed the \$370 million, 265 megawatt, natural gas turbine plant at Duke Point, supplied by the GSX natural gas pipeline running through Boundary Pass and the Gulf Islands.

However, Hydro has also received preliminary approval from BCUC for a 7.23% increase in electricity rates, starting April 1 this year. Estimates included in its application for the increase say that a 6.5% increase in electricity prices would lead

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to a decrease in demand of 64 Mw in 2007/08 and an 88 Mw decrease in 2011/12. A decrease of this magnitude (Hydro's Vancouver Island demand peaked this year at 2194 Mw on a cold January 4) would make a significant difference to the quantity and the urgency of new power generation.

The reaction of large industrial consumers on Vancouver Island, particularly pulp mills, to the rate increase is not yet apparent. They have proposed co-generation plants at the mills, which would reduce Hydro's demand (and its revenue) significantly.

Meanwhile Duke Point Moving Right Along

The original Duke Point proposal received environmental approval on December 23, 2003 from the Province of BC Environmental Assessment Office (operating under newly relaxed legislation). Said the EAO, 'Today's decision provides greater certainty for those bidders who expressed interest in the assets and will assist BC Hydro in seeking and evaluating tenders for alternative proposals, some of which may be located on the same site.'

BC Hydro has also applied for a Regional Waste Management Permit, to cover waste discharge from a VIGP. This despite their not having specific permission from the BCUC yet. However, equipped with the necessary ministerial permissions following EAO approval, it is unlikely that this will be refused.

Meanwhile, Williams Pipelines, Hydro's partner in GSX, continues its efforts to get landowners in Cobble Hill to sign right-of-way agreements. And in the US, Williams is reportedly

still negotiating pipeline easements with landowners in Whatcom County. But a pipeline safety group, Fuel Safe Washington, is in federal court in Denver, challenging the authority for the Federal Energy Regulatory Commission's approval of the pipeline.

Terasen Liquefied Gas Storage Proposal

Meanwhile, Terasen Gas (TGVI) have been preparing for a possible Liquefied Natural Gas (LNG) storage facility, near Timberland Road, North Oyster, south of Nanaimo. Application is being made to the Cowichan Regional District for rezoning of four hectares of land to accommodate a billion cubic foot storage tank estimated to cost \$100 million.

Such a facility would probably enable Terasen to undertake the supply of natural gas to a Duke Point power generation plant without building an additional pipeline across the Strait of Georgia. The NEB refused to consider this possibility when reviewing the GSX proposal.

Rate Increases

Power rates in BC have not gone up in ten years, and are among the cheapest in North America. However, the provincial government has indicated that the currently applied for 9% increase is just a start in a gradual climb to 'market rates'. The consumer is being told, via a recently issued BC Hydro brochure, that replacing just five light bulbs in her house with fluorescent bulbs will reduce household power consumption by 5%, and thus mitigate the coming increase. This is, of course, provided that she does not use electricity for heating, as many on Vancouver Island and nearly all on the Gulf Islands do. ✍

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