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Duking it out over Vancouver Island's power supply ~ Patrick Brown

Hearings by the BC Utilities Commission (BCUC) into the proposed Duke Point Power (DPP) gas-fired electricity generation plant got underway in Vancouver on Monday, January 17. The hearings were preceded by a lively 'town hall' meeting at the Coast Bastion Hotel in Nanaimo on Saturday January 15, at which nearly all the speakers opposed the DPP proposal, with the notable exception of Mayor Gary Korpan of Nanaimo. Outside the hotel, a colourful (but peaceful) demonstration against the scheme featured balloons, puppets, and about a hundred participants.

The BCUC panel is currently reduced to two, following the resignation of Commissioner Murray Birch who has, during the past month, become CEO of Alliance Pipelines, and therefore can no longer participate because he has a conflict of interest.

Previous BCUC Hearing

This latest hearing became necessary when, in a 2003 Hearing, BCUC rejected a proposal by BC Hydro to construct a gas turbine power generation project at Duke Point to make up a possible electricity shortfall on Vancouver Island.

BCUC concluded that this first Duke Point proposal was not the most economic way of compensating for energy shortfall. The Commission then asked Hydro to initiate a Call for Tenders to identify possible alternatives to the proposal, promising that it would 'expedite' another hearing to consider whatever scheme resulted.

GS-X Out of the Picture

This previous scheme had included a proposed gas pipeline across Georgia Strait south of the Gulf Islands, the Georgia Strait Crossing pipeline, (GS-X) to ensure sufficient gas to fuel the power plant. Recently BC Hydro formally announced that the GS-X pipeline project, on which it spent over \$50 million in preparation, has been abandoned. BC Hydro has negotiated with Terasen Gas for the transportation of gas from the mainland to Vancouver Island for the currently proposed, privatized plant.

Limiting the Scope of the Current Hearing

BC Hydro wanted the current hearing to consider only its new, privatized version of gas generation, the proposed Electricity

Purchase Agreement with the successful bidder, Duke Point Power. However, BCUC has expressed the wish to examine some of the alternative bids rejected in the call for tender, and also the possibility that none of the bids is satisfactory.

Living Up to the Load

Hydro warns that a power shortfall could occur at any time after the existing HVDC power line, which runs from the mainland across Galiano and Salt Spring Islands to Duncan, is 'derated' in March 2007. ('Derating' means not that the line would be taken out of service, but that it was so old that BC Hydro does not wish to rely on it any longer.)

At the time of the previous hearings, no plans had been made to replace the HVDC line, although it had been strongly advocated by GS-XCCC (the GS-X Concerned Citizens Committee) as an alternative. Now the BC Transmission Corporation, the transmission line part of the former BC Hydro, has applied for approval for a new 230Kv line, to be in service by the end of October 2008.

As explained by Bill Andrews, lawyer for GS-XCCC, the Hydro scenario represents calculations 'for planning purposes'. The calculations are designed to absolutely ensure that there is no chance that Vancouver Island will be without sufficient power on a day when peak load occurs (like Friday January 10, 2004, when peak load came very close to Hydro's estimates for 2007).

The Brown-out Scenario

The calculations include projections of power demand growth (which have been criticized as being on the high side) and the possibility that one of the main powerlines to the Island would have failed (this being one of the two Cheekye-Dunsmuir lines).

The brown-out scenario would need, in addition to a peak load situation and failure of the largest line, the HVDC undersea line to be actually unserviceable *and* the main industrial users on the Island to fail to reduce their demand temporarily—Norske's pulp mills, the main industrial users offered to do just this if necessary. In summary, all these events would have to occur simultaneously during the period March 2007 - October 2008 for the Duke Point Power plant's output to be necessary to prevent a brownout.

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The question for BCUC is is the long-term cost of the privatized DPP proposal appropriate to mitigating this risk?

Duke Point Power Contract

BC Hydro has insisted that the actual financial details of the proposed DPP's Electricity Purchase Agreement should remain secret, and only be considered by the BCUC in camera. This puts the BCUC in a difficult position, since it is being asked to approve the new proposal as being more economical than the original. It is, after all, only a privatized version of Hydro's original Duke Point proposal.

Hydro and the Joint Industrial Electricity Steering Committee (JIESC, representing the province's major electricity users) disagree significantly on the resultant price of DPP electricity, which depends on how much power the new plant is expected to generate, which will be decided by Hydro. Some details of the contract have leaked out:

- The DPP plant is expected to represent an investment of \$285 million, but it is not yet clear what this includes. Does it, for instance, include the \$50 million which DPP is expected to pay for the 'assets' of Hydro's previous proposal?
- Hydro will pay fixed monthly payments of \$2.9 million for 25 years, a return on investment of 12.2% before any payments for the electricity produced.
- Hydro will cover the costs of the natural gas used, and thus accepts the price risk of a long term rise in gas prices.
- Hydro will pay Terasen \$9.6 million/year for gas delivery.
- Hydro witnesses so far appear to disagree on whether

calculations include a provision for the purchase of carbon credits for greenhouse gas mitigation, or who is responsible for this charge, originally estimated at \$88 million.

In summary, the concept that the purpose of privatization is so that 'the private sector takes the risk' does not appear to be followed in the contract.

Examining the Alternatives

The first few days of the hearings have indicated that BCUC does expect to examine the Call For Tender process carried out by Hydro. Some of the unsuccessful bidders clearly feel that the process was biased in favour of a Duke Point gas-fired plant. They have suggested that:

- the combination of a Calpine Elk Falls peaker plant with the Green Island (Gold River) wood-waste-fired plant was not adequately considered;
- coal burning plants were eliminated by requiring an unreasonable 97% reliability factor;
- wind power was eliminated on the basis that it was unreliable;
- proposals for load shedding or co-generation by pulp mills were eliminated through a requirement for a 35-year commitment.

Decision Day

The hearings are expected to continue until January 28. The BCUC is presently committed to publish its decision on February 17, one day after the Kyoto Protocol to reduce greenhouse gas emissions becomes binding on Canada. ☞