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New tenders to compete with GSX/VIGP ~ Patrick Brown

At the conclusion of the BC Utilities Commission hearings in Nanaimo on July 3, BC Hydro proposed to call for firm tenders for alternative ways to provide for Vancouver Island's future electricity needs.

The tender call would cover a variety of proposals which have been put forward during the hearings. The alternatives include a Terasen (formerly BC Gas) proposal to increase the flow of the existing gas pipeline to Vancouver Island, generation proposals from NorskeCanada (pulp mill co-generation, 300MW or more), Green Island (Gold River power generation, 105MW), and Hillsborough/ Quinsam (coal-fired power).

BC Hydro's CEO Larry Bell made it clear that Hydro would prefer that, while the BCUC approval of the Georgia Strait/Vancouver Island gas pipeline proposal may be conditional upon BC Hydro carrying out the request for tenders for alternatives, BC Hydro opposes having the Utilities Commission make the final decision. (Hydro does, after all, have the final responsibility for ensuring electrical supply to Vancouver Island.)

Judging Competing Bids

There was considerable discussion on how BC Hydro would evaluate the competing tenders. It proposes that it will be done on the basis of the present value of incremental costs, though this methodology was questioned by the Commission. Some potential bidders questioned how this would work and were skeptical whether the bidding process would be fair. An independent evaluator will work with Hydro to monitor the process.

Hydro has made it clear that if none of the bids were satisfactory, it would revert to the Georgia Strait/Vancouver Island gas pipeline.

Greenhouse Gas Costs

Intervenors at the BCUC hearings also raised questions about Hydro's treatment of greenhouse gas (GHG) liabilities in the financial evaluation. Hydro has recently announced a change in policy whereby they expect to generate their own GHG credits from PowerSmart and Green Energy initiatives rather than purchasing GHG offset credits on the open market.

Time is Critical

Hydro emphasized any alternative to VIGP would have to meet strict requirements for delivery date, reliability, and cost. But Hydro has not made it clear whether the 265MW VIGP Duke Point plant would be run fulltime as a base load or part time as a peak load plant. Hydro still anticipates a power shortage on Vancouver Island by 2007, though their peak consumption estimates have been revised downward. Coincidentally, 2007 is when the existing undersea transmission line will be derated to zero (not shut down, just derated).

Hydro also anticipates constructing a new 230MW power line from the Mainland, but does not expect this to be operational before 2010.

Initial information on the Call for Tenders will be available in September, but Hydro says a decision must be made early in 2004, which is the latest date that a turbine can be ordered to ensure that the VIGP is operational by 2007. Hydro's contract with Williams Pipelines for the GSX runs out in March 2004.

Cost of Terasen's Proposal

In view of major disagreements between Terasen and Hydro on the cost of Terasen's pipeline upgrade, BCUC has instructed both companies to work together to ensure that figures used for gas delivery costs could reliably be used by both VIGP and other bidders, some of whom are relying on Terasen to deliver gas to them.

Wrapping it Up

The BCUC chair, in wrapping up the hearings, made a point of quoting Hydro CEO Larry Bell, 'The application before you represents an important juncture in consideration of energy supply, not only on Vancouver Island but also for future energy policy and planning for British Columbia until 2025 or thereabouts.'

Which Penguin Goes First?

Other approval bodies are still considering the GSX/VIGP proposal.

The NEB/CEAA Joint Review Commission has now ruled on a motion by GSXCCC (Concerned Citizen's Coalition) to reopen their hearings to consider the Terasen alternative to the

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GSX. They have denied the application on the basis that the Terasen proposal is at too early a stage. The Terasen evidence, they said does not appear to have, 'the potential to have an impact on the ultimate decision of the Panel.' Their decision is expected in the fall.

The provincial Environmental Assessment Office, also

reviewing VIGP, has announced that it will not publish its conclusions until two weeks after the BCUC decision. The Washington State Department of Ecology has still not announced whether it will hold hearings. It seems no-one wants to be first to rule on this controversial proposal! ✍

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