



April 26, 2006

Robert J. Pellatt
Commission Secretary
B.C. Utilities Commission
6th Floor - 900 Howe Street
Vancouver, B.C.
V6Z 2V3

Dear Mr. Pellatt:

**Re: British Columbia Transmission Corporation ("BCTC")
Certificate of Public Convenience and Necessity ("CPCN")
VITR Project**

IRAHVOL's Response to Intervenor Arguments

Please find attached IRAHVOL's response with respect to the above.

Yours truly,

"Original signed by David Austin"

David Austin on behalf of IRAHVOL

IRAHVOL RESPONSE TO INTERVENOR ARGUMENTS
BRITISH COLUMBIA TRANSMISSION CORPORATION
CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY APPLICATION
VANCOUVER ISLAND TRANSMISSION REINFORCEMENT PROJECT

1. Introduction

IRAHVOL has filed a comprehensive argument in relation to the above and has a very limited number of direct responses to some of the arguments that were filed by a number of the other intervenors and they are set out below. IRAHVOL's silence on any point is not to be construed as acceptance or acquiescence.

IRAHVOL wishes to note that BCOAPO, Joint Industrial Electricity Steering Committee ("JIESC") and the Commercial Energy Consumer Energy Consumers BC ("CEC") did not file any written evidence in the proceedings and did not call any witnesses – policy or otherwise. BC Hydro filed extremely limited written evidence in relation to its assertion of "100%" debt financing and called a witness who was subject to cross-examination on this matter but not on any other matters.

With the exception of BC Hydro's debt evidence, none of the positions espoused by BCOAPO, JIESC, CEC or BC Hydro in final argument were subjected to cross-examination. Their final arguments are nothing more than letters of comment and should be given very little or no weight.

2. BCOAPO

On page 2 of its argument BCOAPO claims:

"Three major intervenors representing BC Hydro's major customer classes – the Joint Industry Electricity Steering Committee (JIESC) with respect to industrial customers, the Commercial Energy Consumers of BC with respect to commercial customers, and BCOAPO with respect to residential customers – all expressed an interest in ensuring a safe, reliable service to Vancouver Island in a timely manner and a most cost efficient manner."

This claim is wrong. On the cover page of the BCOAPO argument it says that the BCOAPO consists of:

- BC Old Age Pensioners' Organization
- Active Support Against Poverty
- Council of Senior Citizens' Organizations
- Federated Anti-Poverty Groups of BC
- End Legislated Poverty

- BC Coalition of People with Disabilities
- Tenants Rights Action Coalition

BCAOPO represents these interest groups and no other. Collectively they do not equate to the major BC Hydro customer group of “*residential customers*” and they are interest groups like any other.

IRAVHOL has no idea how BCAOPO came to the conclusion that it did about the CEC. There is nothing on the record which contains the details of CEC’s constituency.

Ref. page 3

At subparagraph 4) the claim is made that Gulf Island residents’ oppose any transmission line going anywhere near their properties. IRAVHOL has made it clear in evidence and argument that it has no objection to underground DC cables on the existing right of way.

Ref. page 4

At the top of page 4, BCAOPO says that: “*the positions advanced by each of the opponents, if accepted by the Commission, could result in direct financial benefit to them.*” BCAOPO can’t argue that it missed BCTC’s evidence that BCTC is not prepared to extinguish any existing rights of way because this point is referred to on page 18 of its Argument under the heading “*The Importance of the Existing Rights of Way.*”. So how are the opponents or more precisely the property owners they represent, supposed to receive a direct financial benefit?

As noted by IRAVHOL at TR V11 pages 1702-1703, the property owners take the risk of property price decreases if BCTC puts in new transmission lines on a right of way but get no potential upside because BCTC is not going to extinguish any existing right of way. And these same owners annually pay property taxes on this right of way – not BCTC or BC Hydro.

3. JIESC

Ref. page 6

In paragraph 7 (b) JIESC says that electricity and transmission services must be provided in the “*most cost-effective manner possible consistent with public interest.*” However, nowhere in its argument does it set out in any detail what this means i.e. short term, medium term, long term, risk of delay, inclusive or exclusive of export revenues etc. JIESC certainly didn’t provide any witness for cross-examination on this point.

Ref. page 7

On page 7 it says that Option 1 *“is the most cost-effective option and can likely be constructed at or near the projected costs.”* This is a highly unusual position for JIESC because there is nothing in its Argument that calls for some sort of cap on the cost of Option 1 of VITR beyond which BCTC must absorb the cost. Apparently JIESC didn't notice the following at page 22 of Exhibit C34-22 *“BC Hydro's Service Plan 2006/07 to 2008/09”*:

“The rise in construction costs has had an impact on some large civil/mechanical projects sponsored by Generation. This trend has not yet been as evident in the Transmission, Stations and Distribution sectors of the utility industry, although costs may start to escalate here as well.”

There is no similar caution in Exhibit C34-23 *“BCTC Service Plan for Fiscal Years 2006/07 to 2008/09 dated January 2006”*. BCTC has also not considered the implications of construction cost inflation.

If Option 1 of VITR comes in over the current budget, then the assumption must be that JIESC will have no cause for complaint.

Ref. page 26

As an industrial group, JIESC concern about ABB's support for the HVDC Light technology is very odd. Over the years, many of the mining, forest and chemical companies that constitute JIESC have been sold, consolidated or have simply gone out of business. The same thing is true of companies that supply services to the ever changing roster of JIESC members. Are these companies all there to support their products? The answer is no but the *“market”* is there to provide the necessary support if there is an economic opportunity.

There is nothing on the record to indicate that the suppliers of the AC technology for VITR will be around for the BCTC's projected life for VITR. IRAVHOL notes that in the full version of Exhibit C34-17 can be found passages such as the following on page 12 under the heading *“Sustaining Capital Programs”*:

“1. Obsolescence and Unavailability of Spare Parts – Remaining 500 kV GE type ATB-80 breakers are being phased out over the next 4 years. These breakers, although only 20 years ago, would have been rebuilt if parts were available. However, GE no longer provides parts and technical support for air blast breakers.

The 500 kV GE type AT circuit breakers are also scheduled for replacement. These breakers are close to 40 years old and have already been rebuilt once, but parts are no longer available for a second rebuild. They are currently installed at Ingledow substation, the key switching station in the BC Hydro system.

Replacement of these breakers will reduce risk due to earthquake as they are in a seismic zone, but not able to withstand a significant seismic event.”

4. CEC

Generally, CEC’s Argument seems to say that the BCUC should grant a CPCN to BCTC for VITR but that BCTC and BC Hydro should talk to Sea Breeze about JDF. If BCTC has a CPCN for VITR why would it engage in any good faith negotiations with Sea Breeze? It is hard to reconcile this “*grant and talk*” position with other statements such as “*Based on the evidence in this hearing, the CEC is of the view that the VITR Project is of greater value at this time than the VIC or JdF Projects*” which can be found at page 4 of CEC’s Argument:

CEC has also overlooked many key issues e.g. “*At what price does CEC support VITR and what is supposed to happen if the final cost of this project exceeds BCTC’s current budgeted amount?*”. Like JIESC, and unlike BCOAPO, CEC’s is completely silent about cost overruns. This is extremely unusual for an organization that purports to represent business interests.

CEC’s Argument contains numerous unsubstantiated “*saw offs*” on critical issues. The following examples can be found on pages 17 and 18 of this argument:

“79. The benefit is neither as large as SeaBreeze claims nor is it nil as BCTC claims. The CEC believes that the BCUC should find that the benefit is a value somewhere in between and that it is substantial. The CEC believes that the amount would be approximately \$20 million.

“83. ...The CEC does not believe that the value is as high as estimated by SeaBreeze but neither does it believe the value is nil. The CEC believes that for domestic growth requirements the Cut Plane “D” issues are further away into the future and have a lower value that SeaBreeze estimates. Under conditions where the export expansion SeaBreeze is trying to create takes place the CEC believes the issue would be much closer and therefore have a much higher value. The CEC believes the value would range between \$25 million and \$45 million and would make the assessment with the lower value.”

Ref. page 3

In paragraph 2 CEC makes reference to “*an ongoing interest in seeing that the commercial electrical energy consumers in British Columbia and Vancouver Island in particular...*”. There is nothing on the record that identifies the segment, if any, of the commercial energy sector that CEC actually represents. CEC tendered no evidence or witnesses so that this issue could not be addressed. IRAHVOL’s concern is highlighted by the following on page 35 of CEC’s Argument:

“187. The CEC believes the property value issue is a risk already agreed to by property owners. The property owners have received a benefit in lower purchase price of their properties and should not now expect to be compensated for rights over their properties, which have already been provided.”

There is no possible way that this reflects the position of BC Hydro’s commercial customers who are in the hotel or tourist business in resort communities such as Whistler, B.C. It is a matter of public record that they are opposed to any additional transmission or replacement facilities in the existing BC Hydro transmission corridor in the Whistler area that create more visual impacts.

Their position is very similar to that of the residents and businesses in the Gulf Islands that IRAVHOL represents. The main difference is that the existing transmission facilities that transit the Gulf Islands need replacing and VIC and JDF are suitable financial alternatives.

Since CEC filed no evidence, and called no witnesses, IRAVHOL had no opportunity to question CEC about any of its positions, including those set out above.

5. BC Hydro

At TR V6 page 804, BC Hydro claimed it: *“...BC Hydro is listening here, rather than advocating particular pieces of evidence, and so frankly doesn’t want, in its opening, preclude what it listens to.”*

It didn’t take it long for it to abandon this pretext and file evidence with respect to its 100% debt concept. When being cross-examined on this concept it said at TR V34 page 6543 that *“This witness hasn’t been tendered to speak to Hydro’s position with respect to this proceeding.”*

The evidence it filed in the proceedings is very narrow. Other than when it suited it i.e. 100% debt, BC Hydro didn’t want to clearly state the positions or concerns it had with respect to JDF, VIC and VITR. BC Hydro certainly did not want to subject them to any form of questioning including cross-examination. But for the issue of 100% debt, its Argument should be considered a letter of comment and given very little or no weight.

Dated April 26, 2005