TEXADA ACTION NOW COMMUNITY ASSOCIATION

Final Argument

Ms. Erica M. Hamilton
Commission Secretary
British Columbia Utilities Commission
Sixth Floor - 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Ms. Hamilton:

Re: Project No. 3698514
British Columbia Utilities Commission (BCUC)
British Columbia Hydro and Power Authority (BC Hydro)
2008 Long Term Acquisition Plan (2008 LTAP) April 27, 2009

BY E-MAIL

The Texada Action Now Community Association (TAN) is a registered non-profit organisation of approximately 1,000 members who are all ratepayers and/or residents of Texada Island. TAN was reformed in 2008 to oppose the building of an import LNG facility on Texada Island, associated gas-fired electrical generation facilities, and the movement of LNG tankers up and down the Georgia Strait, all of which would have had a devastating impact on Texada, and the amenity and economy of the Georgia Basin. TAN supports balanced environmental, developmental and sustainable goals for Texada Island. TAN has participated in the 2008 LTAP in an effort to represent Texada concerns, which we believe are shared by many British Columbians. Attached as Appendix I is TAN's Opening Statement (Exhibit C-33-6)

TAN represents those BC Hydro customers who are interested in promoting the development and adoption of sustainable energy, energy efficiency and energy conservation in BC. At the same time however, we support "joined up thinking" in BC policy making, so we can all look forward to secure, sustainable and affordable electricity, used efficiently.

Clearly this LTAP is overlaid with a mass of political direction unprecedented in BC regulatory history. We are mindful and thank the B.C. Government for passing four greenhouse gas (GHG)-related statutes and introduced policies that profoundly alter the risk profile of fossil fuel-fired electricity generating facilities.

This argument and submission is directed at BC Hydro and the BC Utilities Commission (BCUC) as much for the Rate Design Hearings which will be a consequence, and the LTAP scheduled for 2010, in the hope that the BCUC will set guidance to BC Hydro for the upcoming Rate Design and the 2010 LTAP, and share its views after this Hearing with the Government in Victoria.

TAN has essentially formed the view that the planned suppression of demand through price on the scale proposed by BC Hydro is scarcely attainable and those efforts will lower the living standards for many BC residents, particularly those on low incomes, and those without access to natural gas for space heating, as we are on Texada Island.

There are a number of points TAN would like to bring to the attention of the BCUC, BC Hydro and the BC government. To present the points in context some factual data has been reiterated.

1 The BC Hydro System

B.C. Hydro serves about 1.7 million customers. Of these, 88 percent are residential, comprising 38 percent of domestic revenues; 11 percent are commercial or light industrial, and they provide 36 percent of domestic revenues; and large industrials represent less than 1 percent of customers, but account for 21 percent of domestic revenues. The average residential rate in 2008 was 6.67c/Kwh, 3.49c/Kwh for large industrial, both very low by international standards. In 2008 the Heritage hydro assets generated 51,655 gigawatt hours, at a cost of $6.16 a megawatt hour. By any definition, at present, BC Hydro is a very low cost producer by international standards, owing to the foresight of W.A.C. Bennett and the BC policy which has been until recently, of a provincially-owned utility building and operating power plants and exploiting BC resources for the benefit of BC citizens.

However the Heritage "advantage" is being eroded. In 2008 energy from Independent Power Producers (IPP's) represented 15% of the energy generated by the low-cost Heritage assets, at a cost of $61.43 a megawatt hour. Source: BC Hydro Annual Report 2008

2 The BC Hydro Plan.

BC Hydro is intending now to increase its reliance on demand-side management (DSM), rather than build generation assets. It intends to curtail 9,600 gigawatt hours (Gwh) of demand, which will represent 72% of its resource gap by the year 2020. In the context of today, 9,600 gigawatt hours means cutting no less than 18% of 2008 BC demand.

Cutting demand, or DSM, is by far the cheapest option. BC Hydro costs this "resource" at $41 a megawatt hour, compared to $120 megawatt hour for independent power purchases which it is committing to as part of the Clean Energy Call. B.C. Hydro will contract with IPPs to provide most of the incremental energy supply after DSM is taken into account.

3 Will the BC Hydro Plan actually work?

BC Hydro admits the 2008 LTAP is a "package"; it is in fact a balancing act. BC Hydro is attempting cost-effective resource additions to meet customer reliability needs while balancing stakeholder interests, addressing environmental concerns and following legislated parameters.

BC Hydro testified that in the past 75% of DSM savings have come from "firm" sources, where customers have purchased more efficient appliances, furnaces and water heaters and are locked in for a period of years. From now on BC Hydro is going to be increasingly dependant on rates prompting behavioral changes. These "softer" demand-side management gains are going to be harder to measure, perhaps more variable, and more difficult to achieve.

BC Hydro testified that it is leading the way globally on reliance on DSM; the target of 9,600 Gwh is untested in a low cost jurisdiction and is "certainly higher than anything we've strived to reach

before". BC Hydro said that we will need three to five years before we know how effective the program is going to be.

BC Hydro is a low cost utility in a jurisdiction with high living standards where consumption per head of electricity is high by European standards. This means that the incremental price (or the inclined rate) must rise steeply from the average rate to cause a behavioral change and the curtailment of consumption. BC Hydro cannot point to the historical record of a comparative utility globally who has attempted a DSM program on this scale.

Mr Hobson (BC Hydro) testified that we will have ongoing increases, persisting over the period.
(B.C. Hydro 2008 LTAP March 5, 2009 Volume 13 Page: 2470)

Further in response to Mr Bertsch

> *MR. BERTSCH: Q: Thank you. Could you describe what the capacity-focused DSM project is? Why you are doing it? And why you have not done it already in this LTAP?*
>
> *MR. HOBSON (BC Hydro): A: Well, I think this is a newer area. Traditionally for B.C. Hydro the focus on demand-side management has been around energy and not capacity. Now, when we go forward with the demand-side management plan of the scale that we've got, and you get energy savings, you get associated capacity with those. What this Order is seeking is funding that's looking at capacity-focused demand-side management, which has not traditionally been something in B.C. Hydro's service territory that we've had any real efforts towards. And that's quite different than other jurisdictions, and that's for reasons with respect to the challenges faced in those jurisdictions.*
>
> *B.C. Hydro 2008 LTAP March 5, 2009 Volume 13 Page: 2495*

When asked about the chances of success of BC Hydro's the demand-side management Component Mr Reimann (BC Hydro) replied

> *MR. REIMANN: A: I think perhaps, Mr. Fletcher, the simple answer to your question may be that what we've put forward in our base resource plan is our expected outcome. And by definition, that would be a 50 percent probability that we would get there.*
>
> *B.C. Hydro 2008 LTAP March 6, 2009 Volume 14 Page: 2622*

Mr Matherson (BC Hydro) sharing some of his concerns on the DSM program stated:

> *MR. MATHESON: A: Well, I can speak to it in general terms. I think as we wrestled with the idea of the consequence of a demand-side management program of this size, we clearly had to consider what kind of elasticity we would apply. And our view was we have not had to do this before. We've not had a demand- side management program of this size and this nature, and we haven't had experience with rate increases in such a long time with our rate base that it was -- we had a choice to either sort of apply something along the lines that other utilities, higher-cost utilities were experiencing, or we could go a little bit more conservative and wait and see what was likely to occur.*
>
> *And we chose the latter, frankly, because we felt that that was the best approach to take, to say, well, we live in a low-cost jurisdiction and we haven't had the experience, and*

we've got a very large program that could have -- where overshooting any elasticity rate could have very big consequences, and we thought that the better option to take was a conservative one and then wait and see and get some experience, get some actual results of how a rate base would respond, and then go from there.

B.C. Hydro 2008 LTAP March 6, 2009 Volume 14 Page: 2618

While accepting that the 2008 LTAP is a first step, and GHG policy on a provincial level will develop, TAN has to greet BC Hydro's DSM proposals with a great deal of scepticism. In a modern day society access to reasonably priced electricity is a public health necessity. If BC Hydro goes down the route of aggressive DSM targeted at BC residential classes, hardship, and social unease will be the result and living standards will fall. Aggressive inclined rates for industrial, and commercial customers may in itself have an effect on the province's growth rate.

The 2008 LTAP is driven by the 2008 Energy Plan, largely supported by TAN. No one doubts the urgency of measures needed to curtail GHG emissions. [Incidentally we happen to agree with Terasen Gas Inc; offsets are nothing but a "scorecard issue", a "paper exercise". What matters are the physical GHG emissions]. And we support a zero emission policy applying to any new thermal generation [ie. generation with full sequestration]. BC will likely target next the transportation sector as it is BC's largest emitter of GHG. BC will need a large reserve of clean sustainable electricity to meet the needs of electric powered vehicles. In the 2010 LTAP BC Hydro will have to make provision for electric vehicles and seek additional clean sources of generation on some scale.

Nuclear	4
Wind	8
Large-scale hydro	8
Energy crops	17
Geothermal	79
Solar	133
Gas	430
Diesel	772
Oil	828
Coal	955

Table 1. *UK Government's Energy Technology Support Unit report on the output of carbon dioxide in grams per kWh of energy produced by power sources.*

The most apparent sustainable available solution is a move to nuclear generation and this may be the option BC is forced to select. According to the UK's Energy Technology Support Unit, nuclear power offers the least C02 emissions per Kwh of energy produced (see Table 1). But planning for nuclear would need to be a political decision backed by popular opinion, and wherever sited would need to comply with BC Hydro's Social License doctrine (see para 14, at the end of this submission). Through necessity nuclear is being taken up now by many countries around the globe. For further reading on Energy and Food Sources I commend James Lovelock. The Vanishing Face of Gaia. A Final Warning, page 64 and on. Penguin 2009 ISBN 978-846-14185-0.

Without planning for new sustainable firm energy BC is likely to be in a very "weak" position, facing a prospect of brown outs and shortages, or rationing through price, all of which will constrain policy options. One thing TAN is quite sure about; new thermal generation is NOT an option without full sequestration. And most definitely neither is the importing of LNG across the oceans of the world.

4 Rate increases

Rate Structures

Sector	Rate Class	Energy Savings in F2020 (GWh/yr)
Residential	Residential	980
Commercial	Small general service	140
Commercial	Large general service	250
Industrial	Large general service	270
Industrial	Transmission	460
Total		2,090

APPENDIX Q to BC Hydro's 2008 LTAP

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It is unclear at this stage by how much and when inclined rates will have to rise to cut consumption. Judging from Mr Matheson's testimony above, BC Hydro has taken a conservative approach initially and will likely undershoot the DSM target (ie. consumption will be higher than plan). But the implications of BC Hydro's aggressive DSM targets on customer rates should be understood, and the residential sector will bear the brunt, as indicated above.

5 BC policy on GHG emissions. Fuel switching

BC Hydro has spent a fair number of pages in its argument devoted to defending its current position on lack of a fuel switching policy (from electricity to natural gas space and water heating). At the same time however it admits that the 2010 LTAP will address the issue of space and water heating as far as a fuel switching in concerned, so one presumes current policy is under review.

We heard in testimony that 20 percent of B.C. Hydro's residential customers use electric space heating, and 35 percent use electricity for hot water. B.C. Hydro plans to rely on Burrard Thermal for 900 megawatts of dependable capacity and 3,000 gigawatt hours per year of firm energy, and is proposing to spend $186m over 6 years to partially refurbish the plant. However the plant will still run at about 30% efficiency (when it runs).

It is abundantly clear to us that using gas in a domestic appliance at 90% efficiency is far more efficient than using Burrard Thermal at 30% efficiency, and buying carbon offsets. Encouraging fuel switching would be the easiest means available in terms of meeting the output gap particularly when the BC Hydro demand profile is heavily skewed to peak space heating demand from residential and commercial customers.

6 BC residential and commercial customers without natural gas.

BC Hydro has adopted a price elasticity estimate of -0.1 to estimate the aggregate impact of an average rate increase and rate design change from a flat rate to an inclining block tariff for residential and commercial customers, and selected -0.05 as the price elasticity estimate for decomposing the total rate-induced conservation impact into rate level-induced and rate design-induced conservation. The former is a neutral measure, the latter indicates a relative inelastic relationship.

In its determination of elasticity, consultants for BC Hydro used customer data to break down the residential sector by four factors.

> **Modelling of Base Year** – The consultants used BC Hydro customer data to break down the Residential sector by four factors:
>
> - Type of dwelling (single detached, row house, low-rise apartment (four or fewer stories), high-rise apartment (five or more storeys), etc.)
> - Heating category (electric or non-electric heat)
> - The age of the building
> - BC Hydro service region

Approximately 50% of BC residents are without access to natural gas, or an ability to switch to an alternate convenient space heating fuel. This is the case on Texada Island. Many residents can and do burn wood for space heating, a renewable fuel. However there are many customers on Texada where wood burning is not a practical alternative to electricity either through amenity or the design of the dwelling. Many in BC share these circumstances.

There is little evidence to support the weights used to differentiate BC Hydro customers without access to natural gas. The usage of these customers will be more inelastic as substitution is not available and need is constant, particularly in the colder regions.

As part of BC Hydro's review of its fuel switching policy BC Hydro should also review its tariff policy. If DSM is actually going to prompt behaviour change then inclined rates will be much more effective for those customers with high elasticity--but it will largely be just a revenue raising exercise for those with low elasticity, for example for those customers with no alternative, convenient space heating sources. It means that the BC Hydro tariff rates in future will need to be fine tuned to reflect relative elasticity in some detail to promote equity.

In any event the BCUC should direct BC Hydro to extend its hardship policy to extend help to those customers who live on fixed incomes and are without practical alternatives to electric space heating.

7 Amortisation of DSM costs

BC Hydro proposes to spend $418m over 3 years on DSM expenditures and proposes to amortise these over 10 years.

As the success of DSM is uncertain and there is no assurance or certainty gains will be maintained, the most prudent course, and to allow for accountability, is for BC Hydro is to expense DSM costs in the year incurred, or to amortise over no more than a period of 3 years. The 3 year date is significant as only then we start to learn the impact of the DSM plan.

8 DSM program are "rates"

TAN believes DSM programs are utility expenditures and practices relating to a rate and therefore should be filed as tariffs.

9 Rate Base regulation.

All customers want to keep the cost of their electricity down. To date, over the decades, BC has followed the US model of rate base/rate of return regulation. We are now moving into a different, more complex world laden with political direction, where this LTAP is proposing DSM to curtail capacity, moving away from traditional cost of service rates.

Dr. Shaffer, as part of his Direct Evidence observed that there is a problem with the extension of the Heritage Contract in perpetuity, namely that historic average cost rates will be available to new," electric intensive loads." BC Hydro argues that an important element of the Heritage Contract is that BC Hydro's rates are established on a cost of service basis (subsections 5(a) and 5(d) of HSD#2). This means that present and future BC Hydro's customers get the full benefit of the Heritage Resources based on cost of service, not market price.

TAN would agree with Dr Shaffer that when there is such a difference between the embedded cost of generation ($6.16 Mwh) versus new IPP build ($120 Mwh) it is unreasonable to invite new intensive electric loads into the province offering the full benefits of the Heritage Assets, when at the same time BC Hydro is raising customer rates to cut demand and offering market prices, partially indexed, to IPP producers. New intensive loads should bear the full incremental cost of joining and being supplied by the integrated system, matching the incremental cost of supply at the time the loads join the system. This means that new intensive loads must pay the full incremental power rate at the time they join the system.

10 Electrical Self-sufficiency in BC

In its response to TAN's information request No 2.3.0 issued October 15, 2008, BC Hydro indicated that it would be possible under the BC Energy Plan, for BC Hydro to enter into a power-purchase contract with a supplier that sourced its feedstock from oceanic Pacific Rim regions, and still be able to meet the BC requirement of 100% self-sufficiency in electrical generation by 2016.

BC Hydro explained that as long as the Electricity Purchase Agreement was with respect to an electricity generating facility located "within the Province" under paragraph 3 of Special Direction No 10 (giving directions on self-sufficiency—see Appendix B2, Exhibit B-1-1) the BC Government does not require that natural gas-fired electricity facilities source their natural gas from B.C.

The overriding aim of Special Direction No 10 must surely be the achievement of energy and capacity self-sufficiency in BC. It cannot make sense for BC Hydro or others to rely on feedstock from foreign destinations to generate electricity and claim "self-sufficiency". Accordingly TAN requests the BCUC to bring this matter to the attention of the BC government; "electricity generating facilities" within Special Direction No 10 should be further defined. Future dependence on Pacific Rim LNG to fuel BC electricity can never represent BC energy self-sufficiency.

11 Future Running of Burrard Thermal

B.C. Hydro plans to rely on Burrard for 900 megawatts of dependable capacity and 3,000 gigawatt hours per year of firm energy. It proposes to spend $186m over 6 years to refurbish the plant. After the refurbishment the plant will still run at about 30% efficiency.

As part of the LTAP proceedings the BC Utilities Commission will have to adjudicate on the future running of Burrard Thermal and give consideration to efficiency, necessity, cost and other economic and strategic factors, versus the pollutants and emissions generated at various output levels. In its submission TAN has publicised the wide support for a zero greenhouse gas emission standard for any new gas-fired plants.

Given the uncertain results of the DSM plan, and recognising the LTAP as presented is a package, retention of Burrard for 900 megawatts of dependable capacity is probably the only way we can be assured of avoiding brown outs in the Lower Mainland, although BC Hydro assures us it will be used principally for standby, TAN requests that the Commission should ensure that Burrard Thermal is called into service only as a last resort to establish system stability for the lower mainland with full offsets applied under BC government policy. BC Hydro should use best endeavours to reduce the need for Burrard to the minimum using alternative sustainable resources where zero emissions apply under the BC Energy Plan. The BCUC is asked to monitor the records to measure compliance.

12 Stewardship

Over the years BC has benefited from a stable regulatory regime based on historical cost rates, and an averaging-in principle for new generation at embedded cost rates. TAN has obvious concerns that the call for green power and the myriad of independent power producers will produce a new, and unfortunate dimension and consequence for the BC electricity user contrary to historical BC citizen rights.

BC Hydro testified that the length of the IPP contracts varies but in the 2006 Call the average of those 38 contracts signed is 31 years, and there were several IPP's who bid for 40-year purchase contracts. There are no residual rights to ensure that at the end of the term the plants revert to BC Hydro as " Heritage Assets". Ms Van Ruyven (BC Hydro) explained

> *MS. VAN RUYVEN: A: No, there is not a mandatory residual right with those contracts. We did consider residual rights, but then we realized, well, a couple of things. One is that we don't think Hydro is necessarily in the business of owning hundreds of potentially smaller projects. That's not our core competency. We also thought if we made residual rights mandatory in this Call, it would necessarily increase bid prices for projects that we quite frankly might not want to own at the end of the contract period. So we have allowed a negotiating process in this RFP, where if there are projects that we're keen on having the residual rights, we would negotiate with the proponents.*
> *MR. FLETCHER: Q: All right, but do you have options for residual rights?*
> *MS. VAN RUYVEN: A: We have options. We can have right of first refusal for an extension of the contract. We can buy or purchase the asset in --*
> *MR. FLETCHER: Q: But in each of the contracts, do you have the option to acquire the asset?*
> *MS. VAN RUYVEN: A: Not a mandatory term and condition in the existing contract.*
> *B.C. Hydro 2008 LTAP February 23, 2009 Volume 5 Page: 754*

BC Hydro also indicated that the IPP contracts for purchased power escalate at half of CPI over the term of the contract.

BC Hydro should review its core competences. For future IPP contracts it is essential BC Hydro gives adequate weight to the strength of its bargaining position. BC Hydro must ensure that new contacts are constructed to ensure that the plants revert to the province at the end of term, which taken as a package BC Hydro could acquire at minimal cost: and if there is a cost, one gladly accepted by the ratepayers. Otherwise one can envisage endless legal and sovereign complications as a result of NAFTA. One thinks this is a problem of ideology rather than economics. Indexation of power rates in the contracts must be resisted.

13 Opposition to new gas-fired plants

TAN notes that BC Hydro has no plans in the LTAP to purchase electricity from any new thermal plants located in the province. TAN is also aware that policy action number 21 is also relevant to the LTAP, and that states: "Ensure clean or renewable electricity generation continues to account for at least 90 percent of total generation." The actual definition is the Clean and Renewable Electricity Guidelines put out by the Ministry, found at Appendix B-3 of Exhibit B-1-1.

BC Hydro testified that the BC Hydro system tends to run at about 93 or 94 percent clean and renewable (with Burrard at under 500 Gwh) and that the target or threshold is no lower than 90%. This would leave roughly 3 to 4% to fill up with future thermal generation, taken up by any new gas generation approved at Fort Nelson, and more use of Burrard.

It is unclear at this stage how future operation of Burrard would be limited by the 90% clean power requirement. However TAN supports the Clean and Renewable Electricity Guidelines. It supports the Province's goal of energy self-sufficiency and clean power and together with municipalities around the Georgia Strait (see Exhibit C33-6, attached) are urging that as part of the BC Energy Plan, that zero greenhouse gas emissions be required from new gas-fired plants, the same test as applied to any coal thermal facilities.

It is pertinent to make the observation that under no circumstances should BC Hydro ever commit to electricity purchases from gas-fired generation operating at 50% efficiency, without first promoting residential space heating that runs at 90 percent efficiency at the burner tip.

Ms Van Ruyven (BC Hydro) stated

> *MS. VAN RUYVEN: A:*
> *We can agree that if you are a predominantly gas-fired jurisdiction, and you're making electricity and then delivering electricity to a home who's heating with electricity, it's much more efficient to heat with gas at the source.*
>
> B.C. Hydro 2008 LTAP February 23, 2009 Volume 5 Page: 749

14 Social License

TAN welcomes the BC Hydro Social License Policy. TAN asks the BCUC give its full endorsement to this doctrine. For the record I have included the following quotes:

> *MS. PRESTON (BC Hydro): ….a social licence consists of many different elements. We defined it as requiring both the tacit and explicit approvals of governments, communities and other stakeholders.*
>
> B.C. Hydro 2008 LTAP February 25, 2009 Volume 7 Page: 1215

> *MS. PRESTON: A: If I may, just to as well just broaden, the social licence is a newer concept and it's very much related to the context of corporate social responsibility and also sustainability, which I'm sure you're aware has the three pillars of social, environmental and economic as well. And another good, I think social -- the term "social licence" is used quite a bit in the mining industry as well, where they have -- for instance, there's been a few examples in South America where they have received permits, and yet the hue and cry from the communities nearby has been such that they just have not been able to build the projects.*
>
> *And another perhaps more relevant and also more recent example is the example of Surwah, near Montreal, which was a natural gas-fired plant that was planned there and did actually -- initially got accepted and got its permit, but there was such an outcry. And there it was interesting, because it was related to Kyoto, the Kyoto Agreement, and also the greenhouse gas issue mainly. And there was so much opposition to it that the government decided in the end it just didn't want to deal with it, and so the whole project got dropped.*
>
> *B.C. Hydro 2008 LTAP February 26, 2009 Volume 8 Page: 1394*

> *MS. PRESTON: A: It is, and a permit would be an example of an explicit approval by a government for a facility to operate, and we've said that the social licence is also dependent upon tacit approvals by communities and other stakeholders as well. And there's also the concept -- as far as the public these days is concerned, the social obligations of a company, they start at meeting regulatory requirements and legal obligations. The public expects companies to go beyond compliance, and to do much better than that, and not only the public, but the regulators as well.*
>
> *B.C. Hydro 2008 LTAP February 25, 2009 Volume 7 Page: 1225*

> *MR. FLETCHER: Q: This is from Ms. Preston's testimony in terms of the social licence as regards to -- I mean in fairness to Mr. Godsoe, it was said in terms of Burrard. And the heart of the quote I believe says, "We define it as requiring both the tacit and explicit approvals of governments, communities and other stakeholders."*
>
> *So my question is, does this social licence, as applied to Burrard, apply to other plants that you may want to build in the province?*
>
> *MR. MATHESON (BC Hydro): A: I think this did come up earlier in the hearing and I don't mind answering it again. I think our view is that yes, absolutely it does apply to other facilities in the province.*

MR. FLETCHER: Q: And would this be the case of gas- fired plants that you may want to purchase from, that are located in the province?

MR. MATHESON: A: We're not -- our long-term plan isn't proposing any of those, Mr. Fletcher.

MR. FLETCHER: Q: But if it did, would this same social licence apply?

MR. MATHESON: A: Well, it would, certainly. But again I have to reiterate that's a hypothetical example you're providing, and we aren't -- our long-term plan does not anticipate that.

B.C. Hydro 2008 LTAP March 6, 2009 Volume 14 Page: 2635

Respectfully submitted by Richard Fletcher,
Vice Chair,
Texada Action Now Community Association

April 27-09
fletch@hughes.net

Attachment. Opening Statement. (Exhibit C-33-6)

TEXADA ACTION NOW COMMUNITY ASSOCIATION

February 18, 2009

BY E-MAIL

Opening Statement.
2008 Long Term Acquisition Plan ("2008 LTAP")
Texada Action Now Community Association

The Texada Action Now Community Association (TAN) is an organisation of residents on Texada Island BC pursuing balanced environmental and developmental goals for Texada Island. It opposes the building of an import LNG facility on Texada Island, associated gas-fired electrical generation facilities, and the movement of LNG tankers up and down the Georgia Strait.

Opposition to LNG tanker traffic in the Georgia Strait.

TAN wishes to make clear to those concerned that the potential movement of LNG tanker traffic in BC inland waters in the Georgia basin commands wide public opposition. This is evidenced by the resolution passed by the Powell River Regional District (PRRD) of May 22, 2008, and the Chair's subsequent letter to the Premier's Office dated June 25, 2008. PRRD opposition is endorsed by elected bodies around the Georgia Strait: the Islands Trust Council, the Capital Regional District, the Regional District of Nanaimo, the Comox Valley Regional District, and the Sunshine Coast Regional District. It was also adopted at the UBCM of October 7, 2008.

TAN wishes to make clear to the BC Utilities Commission and to BC Hydro, that the entering of a power purchase contract for electricity which would require the passage of LNG tankers in inland waters of the Georgia Basin is not in the interests of these municipalities bordering the Georgia and Malaspina Straits or other persons in British Columbia, for reasons given in the PRRD letter to the Premier dated Jun 25, 2008.

Opposition to new gas-fired generation

In addition, in support of the Province's goal of energy self-sufficiency and clean power those aforementioned municipalities are urging that as part of the BC Energy Plan, that zero greenhouse gas emissions be required from new gas-fired plants, the same test as applied to any coal thermal facilities.

Importing LNG is NOT self-sufficiency

The aforementioned municipalities, and TAN, support the Province's goal of achieving electrical self-sufficiency by 2016.

In its response to TAN's information request No 2.3.0 issued October 15, 2008, BC Hydro indicated that it would be possible under the BC Energy Plan, for BC Hydro to enter into a power-purchase contract with a supplier that sourced its feedstock from oceanic Pacific Rim regions, and still be able to meet the BC requirement of 100% self-sufficiency in electrical generation by 2016.

BC Hydro explained that as long as the Electricity Purchase Agreement was with respect to an electricity generating facility located "within the Province" under paragraph 3 of Special Direction No 10 (giving

directions on self-sufficiency—see Appendix B2, Exhibit B-1-1) the BC Government does not require that natural gas-fired electricity facilities source their natural gas from B.C.

The overriding aim of Special Direction No 10 is to achieve energy and capacity self-sufficiency in BC. TAN will suggest that the BCUC and BC Hydro seeks further guidance from the BC Government, that "electricity generating facilities" be defined, but future dependence on Pacific Rim LNG to fuel BC electricity is not part of BC energy self-sufficiency.

Future Running of Burrard Thermal

As part of the LTAP proceedings the BC Utilities Commission will have to adjudicate on the future running of Burrard Thermal and give consideration to efficiency, necessity, cost and other economic and strategic factors, versus the pollutants and emissions generated at various output levels. In its submission TAN has publicised the wide support for a zero greenhouse gas emission standard for any new gas-fired plants.

The Commission will be hearing argument and evidence on the future running of Burrard Thermal, an existing facility. It may be that an upgraded Burrard is seen a necessary stopgap, to be used only for standby, pending the completion of 5L83. TAN will argue that the Commission should ensure that Burrard Thermal is only called into service only as a last resort (and this may be BC Hydro's intention) to establish system stability for the lower mainland with full offsets applied under BC government policy. BC Hydro should use best endeavours to reduce the need for Burrard to the minimum using alternative sustainable resources where zero emissions apply under the BC Energy Plan. If adopted, this approach would require monitoring by the BCUC to measure compliance.

Demand Management and high trailing block rates

A central tenet of BC Hydro policy under the BC Energy Plan is to use price to discourage use as part of a demand management strategy. TAN will be suggesting that BC Hydro mitigate its demand management strategy in communities without access to natural gas, where businesses and residents may experience hardship.

In addition, TAN will be asking BC Hydro of Plan B, if demand management and resource plans fail.

Stewardship

Over the years BC has benefited from a stable regulatory regime based on historical cost rates, and an averaging-in principle for new generation at embedded cost rates. TAN has obvious concerns that the call for green power and the myriad of independent power producers will produce a new, unfortunate dimension and consequence for the BC electricity user running contrary to historical BC citizen rights. TAN will want the BCUC and BC Hydro to address these issues.

Richard Fletcher
Vice Chair,
Texada Action Now Community Association

Feb 18-2009

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