

From: Tony & Laura [tl-fisher@shaw.ca]
Sent: Friday, February 04, 2005 10:13 AM
To: Commission Secretary BCUC:EX
Subject: Final Submission

Robert J. Pellatt
Commission Secretary
British Columbia Utilities Commission
900 Howe Street, Sixth Floor
Vancouver, B.C., V6Z 2N3

Re: B.C. Hydro and Power Authority / Electricity Purchase Agreement

Dear Sir;

Please find below my final commentary on the Electricity Purchase Agreement (EPA) between BC Hydro and Duke Point Power.

Sincerely,

A. D. Fisher
800 Satellite Park Dr.
Cobble Hill, B.C., V0R 1L0

As I said in my presentation at the British Columbia Utilities Commission town hall meeting in Naniamo, January 15, 2005, I do not think it is in the public interest for BCUC to accept the EPA with Duke Point Power. As I said at that time, DPP is proposing a large, natural gas fired electricity generating plant. As such it is in effect converting the energy potential of natural gas into electrical energy. Thus THE COST OF THE NATURAL GAS THAT FUELS THE TURBINES WHICH GENERATE ELECTRICITY IS OF GREAT CONCERN to the BCUC and the public whose interest it serves.

On January 15th I said:

"In the earlier hearings (GSX/VIGP) I pointed out that the availability of natural gas in western North America was shrinking. The Western Canada Sedimentary Basin is producing less and less each year. New sources of gas, unconventional, frontier, off shore, coal-bed methane, will all be more expensive than gas today. Today's gas is almost three-times more expensive than the gas destined for the GSX pipeline. These fuel costs would be passed through to BC Hydro/BC Transmission Corp customers."

Two days later, January 17th, 2005, Andrew Nikiforuk said in a "Canadian Business" article that production from the Western Canada Sedimentary Basin is in "free fall". That in the years 2001 to 2003, exports of natural gas to the United States FELL by 21%, not because of rationing but because of falling gas production in Canada.

Nikiforuk also said that there are but nine years left of "discovered [natural] gas". If Duke Point Power is to have gas to convert to electricity on Vancouver Island, the gas must yet be discovered and proven,

the infrastructure to extract it and transport it must be built, and the money must be found to underwrite these activities. This does not paint a positive picture for the price of the electricity that DPP proposes to generate with this gas. Nikiforuk says that by 1025 there will be a 42% shortfall of natural gas for Canadian consumers, including industrial consumers like DPP.

Although natural gas prices are somewhat independent of oil prices, in western Canada they are less so. The reason is that the National Energy Board and other planners are looking to the Alberta oilsands to produce much of the oil that North America will need to fuel its future industrial economy. To expand the production of the Alberta oilsands it will take natural gas (to heat the bitumen to extract it and to make the "condensate" necessary to liquify the bitumen product so it can be transported by pipeline). Mr. Nikiforuk says that by 2025 the expanded oilsands production could consume 2 billion cubic feet daily, or 20% of Canada's national natural gas production. 2025 is only 4/5th of the way through the proposed life of Duke Point Power. Can BC Hydro and DPP really compete with the oilsands industrial consumers for this expensive natural gas, derived from expensive unconventional, frontier, off shore, coal bed methane sources?

It is not in the public interest to burden the energy consuming public with the cost of natural gas. The agreements between BC Hydro and DPP do not speak clearly and directly about who will assume the risk of these possibly very high natural gas prices, although BC Hydro says it will accept it. However, one way or another the cost of electricity generated by using this expensive gas will be passed through to the consumer. In the light of these likely shortages in the production of natural gas and the probable cost of natural gas, it would be wiser if the BCUC encouraged Terasen and other natural gas distribution companies to expand their infrastructure so that Vancouver Island home owners could approximate the rest of Canada's use of natural gas to directly heat homes. 80% of Canadian homes are presently heated with natural gas.

Please do not accept the proposed EPA. If you do it will mean the economic prospects of Vancouver Island will be very dim. Neither industry nor the residential consumer can afford expensive electricity to meet their heating and other electrical needs. High energy costs will not promote economic growth in British Columbia and Vancouver Island. Do not accept the EPA.

cc: R. Stout
Chief Regulatory Officer
BCHydro
333 Dunsmuir Street
Vancouver. B.C., V6R 5R3