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British Columbia Utilities Commission
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Attn: Mr. Robert J. Pellatt, Secretary
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Project No. 3698354, BCUC Order G-106-04, BC Hydro VI CFT EPA Review, Final Argument

1. The Islands Trust and many residents of the Trust Area have participated in good faith in every process surrounding BC Hydro's natural gas strategy. Before us, citizens and governments in Port Alberni and North Cowichan scrutinized and rejected gas-fired power generation in their communities. Since that time, Islands Trust Council intervened in the NEB pipeline review, the BCUC VIGP review, and sat on the VIGP Environmental Assessment Office "Project Committee". At every turn I have argued that the gas fired power plant at Duke Point is ill-suited to Vancouver Island's needs, and unaffordable economically and environmentally.
2. I will represent the Islands Trust at BC Hydro's February 16 Integrated Electricity Planning workshop, but coming as it does the day prior to the BCUC's February 17 ruling on the DPP EPA, it is discouraging to provide input through formal channels without any evidence that the public's wishes are reflected in BC Hydro's actions. How must that make the public feel, inviting their input the day before a decision that might set Vancouver Island on a course unsupported by the people?
3. February 16 is also the day that The Kyoto Protocol will become legally binding on its 128 Parties. In December, Natural Resources Department has acknowledged for the first time that Canada is likely to come up badly short of its targets under the Kyoto climate treaty. A February 17 denial of approval for DPP, and rejection of its annual 800,000 kilo tonnes of greenhouse gas emissions, would be a great boost for Canada, for Kyoto, and for our global climate.
4. As I outlined in my January 15 submission to the Panel, the Duke Point Plant (DPP) is inconsistent with Islands Trust policies. Nor is DPP supported by Nanaimo City

Council, although regrettably that letter of clarification missed the BCUC filing deadline.

5. The plant is also inconsistent with Provincial climate change policy. The Province's December 2004 Climate Change Policy, The Weather, Climate and the Future: B.C.'s Plan, directs that "The government will promote alternative energy and investment in conservation and energy efficiency through a 50 percent clean energy goal for new electricity demand."¹ Likewise, DPP approval will hobble the B.C. Government's effort to "encourage ministries and Crown corporations to incorporate emission reduction policies and guidelines"². The BC Plan Climate Report notes that British Columbians are "concerned about the effects of weather and climate on their communities and natural resources," an observation reinforced by the January 15 BCUC town hall presentations.
6. The BC Plan Climate Report highlights the importance of the forthcoming BCUC ruling. The Policy says: "The personal, economic and financial costs associated with these [extreme weather events] events is tremendous. It is prudent for B.C. to take both actions that reduce provincial GHG emissions and actions that enable the province to adapt to anticipated climate change impacts."³
7. The plant is also inconsistent with Provincial energy policy (November 2003, Energy for our Future: A Plan for BC). DPP's February 1 Final Argument was particularly unhelpful in this regard, noting as it did (page 1) that policy action 13 directs that the private sector will develop new electricity generation, but failing to acknowledge that every other appealing supply option is also being offered by the private sector. DPP does not alone fit this criteria.
8. DPP is inconsistent with other vital elements of the Energy Plan. Policy Action #20: "Electricity distributors will pursue a voluntary goal to acquire 50 percent of new supply from BC Clean Electricity", which does not include DPP. "Clean" is defined in the accompanying text⁴: "Examples may include small/micro hydro, wind, solar, photovoltaic, geothermal, tidal, wave and biomass energy, as well as cogeneration of heat and power, energy from landfill gas and municipal solid waste, fuel cells, and efficiency improvements at existing facilities. This broad definition will allow for the development of a diverse range of cost-effective and environmentally responsible resources across the province".

¹ Action number 1, The Weather, Climate and the Future: B.C.'s Plan, Dec/04, page 13.

The definition of "Clean energy" does not include natural gas burned in a combined cycle plant, and no other capacity or energy options are being proposed, making DPP 100% of new electricity demand.

² Action 27, The Weather, Climate and the Future: B.C.'s Plan, Dec/04, page 31.

³ The Weather, Climate and the Future: B.C.'s Plan, Dec/04, p. iii-iv.

⁴ (page 32)

9. The Policy goes on to highlight a risk identified in this proceeding; that approval of DPP could curtail development of BC renewable industries: "A goal of 50 percent of new supply between 2002 and 2012 is achievable, given the broader definition of BC Clean electricity. The 50 percent level is expected to push the market for new energy sources".⁵
10. Interveners BCOAPO et al correctly identify another inconsistency (cited in their argument, section 4, on Risks) with Energy for our Future: A Plan for BC), which says "Taxpayers will continue to receive the benefits from public investment in BC Hydro. New power development by the private sector will protect them from the financial risks of building new generation" (page 26). The DPP EPA does not appear to so protect ratepayers, and I adopt the February 4 arguments of BCOAPO et al in this regard. I am particularly troubled by BC Hydro's and DPP's differing views of where the liability for greenhouse gas charges lies, and the uncertainty of regulatory outcomes highlighted by Dr. Jaccard.
11. The November 2003 Energy Policy also champions policies on incenting energy conservation and load shifting, that had they been engaged prior to the EPA, would surely have shaped the outcome for the better (Action items 21 & 27).
12. The natural gas strategy did not flow from the previous IEP, and is inconsistent with BC Hydro's triple-bottom line accounting and climate change ideals stated on its website and in its literature.
13. The BCUC should not take any comfort in the VIGP Environmental Assessment Act approval, since the Act was rewritten, all assessment criteria removed, and the Project Committee disbanded, almost two years into the EA review. Approval criteria degenerated into a simple test of whether the plant met current emission regulations, and there being no regulations to control greenhouse gas emissions, VIGP passed this primitive test. There was then, no assessment of such problems as identified by speakers at the January 15 BCUC town hall session. This one should particularly trouble BC Hydro and the BCUC:
14. "The snow pack is getting denser and wetter and less deep. The glaciers are retreating. This will result in less water storage capacity behind B.C. Hydro dams. Combined with an increase in demand for water flows by the Department of Fisheries and Oceans for fish migration purposes, due to the warmer water temperatures, this will diminish B.C. Hydro's ability to provide the hydroelectric power in which British Columbians have already invested. This is a classic example of the double whammy of burning fossil fuels for power. The price of electricity increases as the non-renewable resource is used up ... and the end result of using the non-renewable fuel is less renewable energy is available in the form of hydro power because we needed for cooling the waters of the fish streams, again pushing up the price of electricity."⁶

⁵ (page 32)

⁶ BCHVI Call For Tenders Town Hall Meeting January 15, 2005 Volume 5 Page: 1015

15. The EA certificate was predicated on VIGP's operation as a base-load plant, and not the peaking plant now envisioned, and this has significant impact on local air quality estimates.
16. The HVDC systems were rated at a capacity above 600 MW. Today, because they are aging, they have been "de-rated" to 240 MW, and by 2007, BC Hydro will de-rate them to zero. Although the HVDC systems have been "de-rated", they are still capable of great capacity. On not infrequent occasions, the HVDC have been utilized at over 500 MW, especially on one prolonged instance in December 2003 when the 500 kV system was out of service. Likewise, in 2007, the HVDC will be de-rated to zero, but will still be serviceable, and will still be able to deliver energy to the island. This is quite different than a hard decommissioning, in which the system is gone. Also, BCTC head Yakout Mansour has testified in the present hearing said that he has a fair degree of confidence that the old HVDC lines could continue to deliver 200 MW even after the zero-rating.
17. By 2008, BC Transmission Corp plans to replace the HVDC with a new cable system with greatly increased capacity. This changes everything, and rather than heed BC Hydro's argument (February 1, page 26) that the BCUC "stay the course", DPP should be rejected, the "No Award" option be endorsed as in ratepayers' best interest, and BC Hydro directed to direct its attention to load management as a mechanism to bridge the demand gap.
18. The price of gas has been higher than past EIA forecasts and will almost certainly continue to be higher. BC Hydro may have to pay future upstream carbon taxes. Both these costs are not accounted for in the CFT model and would be paid by the BC ratepayer. The GSXCCC has presented evidence that the alleged shortfall will be 190 MW rather than the 280 MW estimated by BC Hydro. The 190 MW shortfall can be covered with the Norske demand side management proposal of 210 MW along with announced BCTC cable monitoring upgrades.
19. The Duke Point Power project, with a 25 year service agreement with BC Hydro, is a profoundly inappropriate "solution" to this very short term bridging requirement, when the HVDC is de-rated (but NOT of no further use), and before the new cable system is in place.

Thank you for your consideration,

Sheila Malcolmson
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