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Subject: BC Hydro - Call for Tenders - Project No. 3698354



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Please find attached the Reply Argument of Duke Point Power

Limited
Partnership.

Thank you.

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Our File No.: 54046-1

February 7, 2005

British Columbia Utilities Commission
250, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

Att: Mr. Robert Pellatt
Commission Secretary

Dear Mr. Pellatt:

**Re: British Columbia Hydro and Power Authority ("BC Hydro")
Call for Tenders for Capacity on Vancouver Island
Review of Electricity Purchase Agreement
Project No. 3698354**

Please find attached the Reply Argument of Duke Point Power Limited Partnership.

Should you have any questions regarding this matter, please do not hesitate to contact the undersigned.

Yours truly,

BENNETT JONES LLP

Loyola G. Keough

cc: Registered Intervenors



**BRITISH COLUMBIA UTILITIES COMMISSION
BRITISH COLUMBIA HYDRO AND POWER AUTHORITY
CALL FOR TENDERS FOR CAPACITY ON VANCOUVER ISLAND
REVIEW OF ELECTRICITY PURCHASE AGREEMENT
PROJECT NO. 3698354
REPLY ARGUMENT OF DUKE POINT POWER LIMITED PARTNERSHIP**

A. INTRODUCTION

Duke Point Power Limited Partnership ("DPP") has reviewed the numerous Intervenor Arguments submitted in these proceedings and detailed below are its Reply submission to such Arguments. The failure to specifically mention any position advanced by intervening parties should not be construed as concurrence with such positions. To the contrary, DPP does not accept the submissions made on behalf of Intervenors unless specifically indicated. Otherwise, DPP continues to support the positions put forth by BC Hydro and DPP in these proceedings. As well, given the significant overlap in certain of the points made by parties, DPP will only address the matter once.

At the outset DPP would observe that a number of Intervenors have steadfastly maintained the positions they originally advanced in these proceedings, notwithstanding the fact that such positions have been totally rebutted through a combination of evidence to the contrary and cross-examination. DPP assumes that the Commission will appreciate the shortcomings associated with such Intervenor positions; and hence there is no requirement to address these matters in detail in Reply.

It is also important to appreciate that several parties are either attempting to confuse, or are confused by, two very important issues in these proceedings. In DPP's view, it is critical that these two issues be understood clearly.

First, several Intervenors persist in attempting to confuse the fact that the Call for Tenders ("CFT") was held for the clear purpose of seeking a "capacity" product. While this has been pointed out on many occasions by both BC Hydro and DPP, several parties, JIESC principal among them (p. 2-3), continue to insist on attempting to make comparisons derived on a "energy" basis. As reiterated in DPP's Final Argument (p. 1-2) this is entirely inappropriate and just leads to misleading results. Many parties also attempt to categorize the CFT as being designed to address a short-term capacity problem (see, for example: BCOAPO et al, p. 2; Shadybrook Farm, p. 3; GSXCCC et al, p. 1; JIESC, p.2, 14; Norske, p. 4). This is also a clear mischaracterization of the purpose and intent of the CFT and the product it was designed to attract. The CFT was looking for a product which would provide part of the long-term solution to Vancouver Island's capacity requirements. To suggest that the DPP plant was only intended to serve a short-term, bridging requirement is simply not correct. DPP notes that the BCOAPO et al refer to DPP as a project in search of a rationale (p. 1). DPP assumes the above explanation will be of assistance in this regard.

DPP would also observe that an internal inconsistency exists in advocating a position which seeks to characterize the pending capacity situation on Vancouver Island as only "short-term", while at the same time supporting any generation option. Unless DPP is woefully misinformed, any generation option involves long-life assets, which would have long-term implications. Furthermore, to assert that the CFT was only intended to address a short-term issue flies in the face of the Commission's determination, made in the context of the VIGP Decision, that the appropriate next resource addition should be "on-Island" generation. Surely, the Commission recognized that generation is not a short-term measure, but rather is part of a long-term solution. This is also consistent with the evidence of Mr. Mansour, for BCTC, who stated that a combination of generation and transmission to supply the Island is the right long-term vision; and that the Commission agreed with him on that, in its decision (10T2405-06). DPP submits that the positions advanced by Intervenors on this point are nothing more than arguments of convenience and are without merit.

Second, the role of the CFT and the subsequent cost effectiveness analysis (requested by BC Hydro's senior management) in determining the "most cost-effective option to meet the capacity deficiency on Vancouver Island commencing in the winter of 2007/08" (ie. the principal issue identified by the Commission at 2T313-14), has become very muddled and confused. It is very clear that the CFT was a market-based process conducted by BC Hydro for the purpose of determining a winning bidder, which would provide the "most cost-effective option" to meet the capacity deficiency on Vancouver Island. It is this market-based approach which has been subjected to significant criticism regarding the criteria adopted by BC Hydro and the rigidity with which such criteria were applied. As will be discussed in greater detail below, DPP is of the view that the evidence provided by BC Hydro in this regard has fully answered the criticisms leveled against the CFT process and demonstrated the reasonableness of BC Hydro's positions throughout.

The CFT is not to be confused with the senior management "check" conducted via the cost-effectiveness analysis. As the record clearly indicates, this was a high level "check", done at the request of senior management to provide added comfort that the results of the CFT winning bid did not have perverse or unwanted impacts. This senior management "check" was clearly additional due diligence by BC Hydro, to test and ensure the reasonableness of the CFT outcome. This internal senior management "check" was clearly not something that required additional input from any party. It is also not an analysis regarding which BC Hydro's management should have to justify the manner in which they chose to "test" the CFT winning bid. As stated in DPP's Argument (p. 11), this cost effectiveness analysis represents an extraordinary step that one would not have expected to occur following a CFT process. This is particularly true in a situation where the market-based call for tenders process has yielded a positive result in accordance with its terms.

It is also important not to confuse the cost effectiveness analysis conducted for senior management with a demonstration that the CFT itself yielded a winning bid which is the "most cost effective option" to meet the capacity deficiency on Vancouver Island.

It is easy to confuse these two matters, as they both use the same term, being "cost effective", to identify the assessment which is undertaken. It is also apparent that the term "cost effective" has the same or at least a similar meaning in both contexts. As summarized in DPP's Argument (p. 11-12), the cost effectiveness analysis considered a variety of other matters, beyond simply costs. DPP submits that when the Commission is identifying the principal issue as a determination of the "most cost effective option" it also has a broader spectrum of considerations in mind than just simply cost or economics.

As will be discussed below, several parties suggest that a determination has already been made that the DPP plant, which is the subject of the EPA, is not the most cost-effective option available. DPP submits that this is simply not the case. A review of the facts is warranted, in order to clarify this situation. As submitted previously in these proceedings, one must look to the context of the discussion which actually occurred during the January 19, 2005 "in camera" session to clearly understand the specific subject matter which was being discussed. When one looks at the unredacted transcript, it is clear that the questioning from the Commission focuses on adding value to customers or achieving better customer value (8T1741). Furthermore, it is clear that the discussion revolves solely around the relative economics of DPP's winning bid (ie. without duct firing); when compared to DPP's second place bid (ie. with duct firing). It is equally clear that when one ties the discussion regarding DPP's plant, with duct firing, back to the commencement of this discussion in the original transcript (at 8T1718) that the Commission is again discussing only a cost or economic issue, being the availability of 28 MWs of capacity for a low price (8T1718, lines 24-25). When put in the proper context, the whole "in camera" discussion deals only with a defined subset of the overall cost-effectiveness assessment, which is the subject matter of the Commission's overall examination.

The purpose of this review is to bring into the open the fact that in Argument many parties have jumped on the GSXCCC bandwagon, and used a "slight of hand" to take the "in camera" discussion regarding DPP's duct firing capability completely out of

context. This whole discussion deals with nothing more than the potential cost implications for customers, given that the 28 MWs of duct firing capability would be available under DPP's second place bid at a "low price". Parties have attempted to subtly transform this narrow, single issue discussion into a determination that DPP's winning bid is not the most "cost effective option" to meet the capacity deficiency on Vancouver Island (see: BCOAPO et al, p. 17; Shadybrook Farm, p. 2; CEC, p. 20; GSXCCC et al, p. 14; Green Island, p. 9; Village of Gold River, p. 6). As previously stated, this overall issue, which is the subject matter of the Commission's decision herein, was never even raised by the Commission. DPP submits that this attempt by Intervenor to misstate the issue being discussed is highly inappropriate. As is clearly stated on the record, a "cost effectiveness" assessment examines far more attributes than simply the lowest cost, or more specifically, being able to obtain DPP's duct firing capacity at a low price.

The point of this clarification is to ensure that the record is clear, as at no point has a determination been made that DPP's winning bid (ie. without duct firing) is not the "most cost effective option" to meet the capacity deficiency on Vancouver Island. In fact, this is the very determination still to be made by the Commission, as part of its public interest mandate, after hearing all of the evidence and Arguments; and clearly remains outstanding at this point. DPP submits that the evidence in these proceedings fully confirms that DPP's winning CFT bid is indeed the most cost effective option to meet the capacity deficiency on Vancouver Island. In fact, the evidence clearly indicates that the only other project even in close proximity to the DPP winning bid which could achieve such a result is the DPP second place bid.

In this regard, certain of the parties suggest that if the Commission determines that it wishes to pursue ways of securing DPP's duct firing capability for BC Hydro in the context of these proceedings (contrary to the express positions advanced by both BC Hydro and DPP), the Commission must, for some unstated reasons, reopen the full CFT and hold another complete market-based process (see: Green Island, p. 17; Village of Gold River, p. 7). As an aside, it is not surprising that these two parties would advocate

this position, as it obviously serves their self-interests. While DPP does not advocate the Commission taking this approach and, as stated in its Argument (p. 22-23), fully supports the approval of the EPA currently before the Commission, parties must be taken to task for the unsupportable positions they have advanced. In order to see the fallacy of the Intervenor Arguments, one need only look to the clear wording of Section 71 of the *Utilities Commission Act* ("UCA"). As pointed out in DPP's Argument (p. 23), the wording of paragraph 71(1)(b) is very clear and unambiguous. The only information the Commission requires is that which "it considers necessary to determine whether the contract is in the public interest". This provides the Commission with the discretion to determine what, if any, information it requires to make this determination. As such, there is absolutely no requirement for the Commission to receive any evidence, if it has determined that such evidence is not needed. Likewise, the Commission is clearly not bound by the outcome of the CFT; and can arrive at its public interest determination regarding an energy supply contract based on the totality of the information it currently has before it. It is critical to remember that the legislative mandate the Commission must fulfill is with respect to the public interest. This mandate takes precedence over the other factors urged upon the Commission by parties, as well as, any preliminary statement of relevant issues previously identified by the Commission. In this regard, DPP agrees with the BCOAPO et al (p. 17) that the question for the Commission is whether the project (ie. EPA) is in the public interest, not whether it represents better customer value. The GSXCCC (p. 5) also asserted that the appropriate test for the Commission is the public interest. DPP agrees.

Notwithstanding the above, DPP reiterates that the only binding agreement that remains in effect following the completion of the CFT is the EPA that is currently before the Commission, regarding which a determination of the public interest has been requested. DPP submits that notwithstanding the views expressed by Intervenors, the evidence demonstrates that the EPA has clearly satisfied the public interest test, including a finding that it is the "most cost effective option" to meet the capacity deficiency on Vancouver Island.

It is also interesting to observe that, at this point in time, several parties are seeking to contest, or at least cast in doubt, the determinations made by the Commission in the context of the VIGP Decision, which were reiterated by the Commission during its Scoping Decision for these proceedings as being relevant to the issues subject to examination (2T307, DPP Argument, p.2). However, no party has seen fit to challenge the Commission's determination with respect to the appropriate next resource addition being on Vancouver Island generation; or its determination regarding a capacity shortfall on Vancouver Island commencing in the winter of 2007/08. Having failed to raise these matters at any point during these proceedings, it is wholly inappropriate to in any way seek to challenge these determinations as part of Final Argument. These suggestions from Intervenors must be disregarded completely.

DPP also notes that Seabreeze Pacific Regional Transmission System, Inc. and Vanport Sterilizers Inc. have chosen to make filings in these proceedings. It is clear on the face of these documents that Seabreeze, and to a lesser extent Vanport, are doing nothing more than attempting to introduce evidence during the argument phase of the proceedings. While this effort may well be attributable to a lack of familiarity with the process employed by the Commission, this does not make these filings any more appropriate or acceptable. DPP submits that these filings must be disregarded by the Commission and DPP will not comment on them further as part of this Reply.

DPP will address a number of the most significant issues raised in the Intervenor Arguments and deal with these matters in the same order as addressed in DPP's Final Argument.

B. THE CALL FOR TENDERS PROCESS

As anticipated, many Intervenors continue to argue that the CFT process was "biased" in favour of gas-fired generating projects and contained criteria that were too stringent or unnecessarily onerous. DPP submits that the record to these proceedings confirm that the allegations of intervening parties, while pursued persistently, are

without merit and have been rebutted by the evidence provided by BC Hydro. It is also clear from the record that BC Hydro approached the development of the CFT criteria with considerable caution. BC Hydro took into account not only the views expressed by the Commission in the VIGP Decision, but also the comments of the Commission in its January 23, 2004 letter. It is clear that BC Hydro reacted to the Commission's comments, including taking a "time out" to further develop a process which would be comprehensive and reasonable, while responding to the Commission's expressed views.

DPP submits that BC Hydro has fully explained and justified the reasonableness of the approach it took to developing and implementing the complete CFT process. The fact that several parties continue to complain about certain matters does not detract from the reasonableness of BC Hydro's approach. Furthermore, DPP would note that all parties were provided a full opportunity for extensive comments before the CFT criteria were finalized and at various occasions throughout the process. At no point did any party initiate a formal process before the Commission claiming that they were unfairly treated and that the CFT should not be permitted to continue. It should not now lie in the mouths of parties who were losing bidders, or who did not complete the bidding process, or who did not participate in the process to complain that they did not like the criteria. As well, as noted by DPP in its Final Argument, an Independent Reviewer was retained in order to ensure that the rules established by BC Hydro were complete and appropriate and carried out in accordance with their terms (see DPP Final Argument, p. 5).

As with its Final Argument, a number of specific matters warrant a brief reply.

(i) Gas Price Risk

As correctly anticipated in its Final Argument (p. 6-7), several parties continue to badly mischaracterize the matter of the gas price risk associated with the DPP plant. Parties continue to ignore the fact that the dispatchable nature of this plant

significantly mitigates any gas price risk, as the plant will only run (except for operational reasons) when it makes a positive contribution in terms of the energy margin. As such, ratepayers will not "lose" because this plant is operating.

Likewise, much was made by many Intervenors regarding BC Hydro's decision to assume the gas acquisition risk associated with gas-fired generation projects bidding in to the CFT. Parties advancing these submissions continue to ignore the clear evidence that BC Hydro already has an extensive gas portfolio into which this requirement will be blended; and that the costs to ratepayers would have been significantly higher (if any potential bidder had chosen to bid at all) if a dispatchable plant were required to assume such gas procurement risk. DPP submits that the evidence confirms that BC Hydro's actions were reasonable and in the best interests of customers and should be accepted as such.

(ii) Gas/Electricity Price Forecasting

Little needs to be said regarding this matter, as it is simply astonishing that JIESC continues to push the evidence of Mr. Fulton in this regard, notwithstanding the fact that the positions advanced by JIESC have been completely responded to in the evidence of BC Hydro, particularly its Rebuttal Evidence. Nothing could be more clear regarding the futility of JIESC's position than its insistence on continuing to point to the fact that BC Hydro used the EIA gas price forecast, but not the EIA electricity price forecast. The clear rationale for adopting this reasonable approach has been exhaustively explained by BC Hydro, yet JIESC continues to persist on making much of this point in Argument. Nothing further needs to be said regarding the reasonableness of BC Hydro's gas and electricity price forecasting approach.

(iii) Credit for VIGP Assets

As contemplated, the CEC continues to pursue this matter and alleges bias in favour of the DPP project, notwithstanding the repeated attempts of both the BC Hydro's witnesses and the Independent Reviewer to explain the appropriateness of the approach taken regarding this matter. It is evident that no explanation is going to divert the CEC from its misguided course. DPP submits that the evidence is clear on this point and that the CEC is simply incorrect in its assertions. Nothing further needs to be added with respect to this matter.

(iv) Gas Transportation

In Argument certain parties attempt to compare the purported "uncertainty" associated with the fact that BC Hydro has, at this point in time, not concluded a Firm Transportation Agreement with TGV1 to other alleged uncertainties associated with unsuccessful CFT bidders. What is obviously missing from these attempted comparisons is that TGV1 is a public utility, pursuant to the UCA, and hence under the jurisdiction of this Commission. It is also clear that, unlike other unregulated parties, if the remote circumstance ever arose that BC Hydro and TGV1 do not enter into acceptable commercial arrangements, recourse is available to this Commission. DPP submits that the circumstances surrounding the provision of gas transportation service to BC Hydro (in order to ensure that adequate supplies are available at DPP's plant) are simply not comparable to the other risks identified by parties. It is clear from the evidence, as confirmed by TGV1's Argument, that it is willing and anxious to provide the necessary gas transportation service to BC Hydro. DPP submits that this matter should not be of concern to the Commission in arriving at a determination that the EPA between DPP and BC Hydro is in the public interest.

(v) CFT Bias

As contemplated, many Intervenors repeatedly point to a series of issues or events which they maintain created a bias in the CFT process. What is of interest is that these submissions totally ignore the clear evidence put forward by BC Hydro in response to each of these assertions. We are not dealing with a situation where BC Hydro has stubbornly refused to acknowledge alleged problems. Rather, BC Hydro has provided full and complete explanations, detailing the reasons why its actions are reasonable. All Intervenors have done is continue to reiterate the original positions they advanced, without any regard to or response for the evidence provided by BC Hydro. The simple reiteration of a point that has been fully answered does not make the Intervenor positions right. Nothing further needs to be said regarding the matter of the alleged CFT bias, as BC Hydro has provided complete answers which demonstrate that its approach to the overall CFT process was reasonable and appropriate.

As stated at the outset, it is the CFT process which has produced a result that provides the "most cost effective option" to meet the capacity deficiency on Vancouver Island. This result is DPP's plant without duct firing. It is this project which was the successful bidder and satisfied all of the CFT criteria. This project withstood the rigours of the market-based approach adopted by BC Hydro. The DPP winning bid will provide the required capacity for Vancouver Island both in the short term and the long term, as was sought by BC Hydro from the outset. DPP is part of the long-term combination of generation and transmission that is the right supply solution for Vancouver Island. In addition, this project has resulted in substantial savings to ratepayers when compared to either the VIGP project proposed by BC Hydro or the next alternate (non-DPP project) bid into the Call for Tenders. The evidence confirms that the DPP plant will provide reliable capacity for Vancouver Island for a considerable period of time and, in addition, will provide energy to BC Hydro on a basis that is more attractive than the next least cost alternative. The evidence also confirms that the technology to be employed by DPP can be operated in a safe and reliable manner, that the plant can be available

when needed and that it is strategically located in terms of providing service to Vancouver Island (see DPP evidence, Ex. C17-6, p. 2-6). In short, the DPP project has satisfied the "cost-effectiveness" criteria embedded in the CFT process and the terms of the EPA, not only in an economic sense, but also in terms of reliability, availability, timing, location, price certainty, etc.

In summary, DPP submits that its "winning bid" meets all of the "cost effectiveness" criteria that have been identified as indicative of the "most cost effective option" to meet the capacity deficiency on Vancouver Island. DPP submits that the availability of the additional 28 MWs of duct firing capacity, which will be physically available from the DPP plant, does not in any way detract from the above finding with respect to the overall cost effectiveness of DPP's winning bid. Therefore, DPP requests that the Commission determine that the EPA currently before it is indeed consistent with the overall public interest.

C. BC HYDRO MANAGEMENT COST EFFECTIVENESS ANALYSIS

As part of its introduction DPP endeavoured to clarify the confusion which has arisen regarding BC Hydro's senior management's request that the "CFT team" perform a cost-effectiveness analysis to confirm, at a high level, that the validity of the CFT outcome would be sustained under a number of, sometimes extreme, conditions. Many parties have sought to muddy the record and suggest that the cost-effectiveness analysis was much more than what it was, in fact, intended to be. As pointed out by DPP in its Argument (p. 11), this cost-effectiveness analysis should properly be viewed as an extraordinary step taken by senior management, ironically probably conducted to avoid many of the accusations BC Hydro is now facing in the context of these proceedings.

The fact remains that this was simply additional "due diligence" by senior management, to obtain an added measure of "comfort" before committing to an EPA and bringing forward the CFT winning bidder as representative of the most cost

effective option to meet the capacity deficiency on Vancouver Island. When the senior management cost-effectiveness analysis is viewed in its proper context, it is obvious that no bidder input, including from DPP, was either necessary or appropriate. If senior management had sought to topple the results of the market-based CFT process (because of their additional due diligence efforts), they may rightly have been called to task, at least by DPP, to explain fully why the results of the market-based process should not have been allowed to operate. However, fortunately this circumstance never arose, as the cost-effectiveness analysis provided the desired comfort to BC Hydro's senior management; and they chose to proceed with the results of the CFT process.

The evidence clearly confirms that the results of the CFT were tested in a variety of ways as part of the cost-effectiveness analysis; and were sustained as being reasonable across a broad variety of sensitivities. DPP submits that the cost-effectiveness analysis indeed provided the additional comfort sought by BC Hydro's senior management, that accepting the CFT winning bid was the appropriate course of conduct in the circumstances. DPP submits that the Commission should likewise derive similar comfort from BC Hydro's senior management efforts.

D. BCTC'S 230 kV Project

While many parties commented on the likely timing of BCTC's proposed 230 kV transmission line, little was added to the record other than an indication that these parties share BCTC's confidence and optimism in meeting an October, 2008 in-service date. DPP is quite prepared to let the record on this matter speak for itself and for the Commission to decide, based on the totality of the evidence, whether it remains reasonable to expect that BCTC can meet a date that was characterized as "accelerated" some one and one-half years ago. This timing is supposedly still reasonable, notwithstanding the fact that little more than certain preliminary activities have been undertaken since that point in time; and notwithstanding the fact that a delay of as little as one month would mean that this proposed project could not be include for planning purposes for the 2008/09 period.

In this regard, the Argument submitted on behalf of Norske (p. 11) asserts that all of the issues regarding the 230 kV line have been dealt with. This is simply wrong and is totally unsupported by the record, as no party, including BCTC, ever asserted that all such issues had been dealt with.

E. SUITABILITY OF SHORT TERM MEASURES

As expected, a favourite among parties supporting a rejection of the DPP/BC Hydro EPA in favour of either: (i) a hypothetical Tier 2, non-existent group of projects; or, (ii) a No Award scenario, was Norske's Demand Management Proposal. Throughout this proceeding Norske was somewhat like the vendor with only one suit to sell, where the only prospective buyers were saying "nice suit, sorry but it doesn't fit". The evidence on the record clearly indicates that, while the Norske proposal could be looked to as an emergency contingency measure, it does not satisfy the N-1 WECC criteria for appropriate electricity system planning. This was confirmed by both BC Hydro and BCTC in these proceedings and, in fact, is fully consistent with the views expressed by the Commission in the VIGP Decision, which characterized the Norske proposal as a short term, bridging mechanism.

In this regard, Intervenors again attempt to create a measure of confusion by pointing to the acceptability of using Norske's Demand Management Proposal in a No Award scenario, where BC Hydro and BCTC would be essentially facing a crisis situation in order to address the identified capacity deficiency on Vancouver Island commencing in October 2007. The evidence demonstrates that, in a No Award scenario, BC Hydro would be left with no choice but to scramble to put together a combination of bridging measures to meet its obligations. This situation is clearly to be distinguished from prudent system planning, which would be done in accordance with the WECC's N-1 criteria. These criteria are designed to ensure that an electric system can meet its requirements with the single largest component out of service.

Additional confusion was created regarding whether BC Hydro/BCTC would be in breach of the WECC's criteria if, confronted with the crisis that would be created by a No Award scenario, they chose to rely upon the variety of "band-aid" measures that might be available. Clearly BC Hydro/BCTC would have no choice but to fall back upon such "band-aid" measures in the No Award scenario; and it is equally clear that these measures would be viewed as acceptable ways to handle the crisis situation in which they would then find themselves. However, this is quite a different thing than prudent system planning in accordance with the established and accepted N-1 criteria. Parties seek to confuse proper planning with emergency operational measures. This confusion is then used to suggest that the Commission should accept, and in fact precipitate, a situation where BC Hydro/BCTC would have no choice but to rely upon these emergency measures. DPP submits that forcing a utility into such circumstances is clearly not consistent with good planning. The JIESC asserts that BC Hydro is overstating the "eminent crisis" on Vancouver Island (p. 1). DPP agrees that this "crisis" can be averted by an acceptance of DPP's winning CFT bid. It is the No Award scenario that will lead to an "eminent crisis" situation.

With respect to the potential to adopt short-term measures, the JIESC asserts that for there to be a problem one of the 500 kV lines must be out of service during the very period when the Vancouver Island peak is experienced (p. 5). This is precisely what the N-1 criteria is designed to address. The JIESC goes on to suggest that the N-1 criteria would be met when the 500 kV line is back in service (p. 7). This is correct, but it ignores (or maybe confirms) that the N-1 criteria will not be met when the 500 kV line is out of service. In this regard, several of the Intervenors seem to be questioning why the N-1 criteria are appropriate or why they should be followed; and not the clear ability of the DPP plant to ensure such criteria are met.

As for the other short term measures identified by various parties, it is clear that taking the existing system to its extreme in order to handle operating emergencies is likewise not prudent system planning. Norske (p. 3) even seeks to cast in doubt, with absolutely no evidentiary basis to support them, that the decision to zero rate the HVDC

line is a matter of judgment, with the implication that this need not be done. There is clearly no support for this assertion and DPP is not aware of any challenge having been made regarding this decision.

The evidence confirms that the numerous short-term, bridging, "band-aid" solutions are properly viewed as contingent operating measures, not good system planning in accordance with the WECC standards. These measures are not an acceptable substitute for the DPP Project.

F. OTHER VANCOUVER ISLAND CAPACITY OPTIONS

At the outset DPP must take issue with the repeated assertions made by Green Island that no one, including specifically DPP, took issue with the position that the four portfolios created by Green Island were more cost-effective than DPP (p. 2, 5, 7, 12). In reality, DPP did not find it at all necessary to even address the "hypothetical" combination of notional projects created by Green Island that were constrained only by its imagination. Rather, DPP chose to focus on reality, evidence and facts when approaching the overall case, including the contribution made by Green Island. What Green Island portrays as uncontradicted evidence constitutes nothing more than a "flight of fantasy" regarding non-existent projects that it sought to rehabilitate during the course of these proceedings. To suggest that DPP, or anyone else, was somehow obligated to lend credibility to these fictional creations is nothing short of absurd.

Getting back to reality, the facts clearly demonstrate that no party stepped forward in response to the challenge by the Commission to bring forward evidence from developers which would show that a more cost-effective resource for Vancouver Island is available at this time (see DPP Argument, p. 18-19).

The simple fact is there are no other real projects available to meet the capacity deficiency on Vancouver Island commencing in the winter of 2007/08, which was identified and successfully pursued through BC Hydro's extensive CFT process. The

fact that Green Island was used as part of some hypothetical scenario to "test" the CFT winning outcome as part of the cost-effectiveness analysis conducted by BC Hydro's senior management, does not change the situation.

G. GREEN-HOUSE GASES

Not surprisingly, the GSXCCC addresses this issue and attempts to read much into the fact that DPP refused to disclose commercially sensitive and confidential information regarding its provision for potential GHG emission liability. DPP submits that the wholly unsubstantiated adverse inference GSXCCC wishes the Commission to draw is entirely without merit. The evidence clearly indicates that DPP seriously examined the potential liability associated with GHG emissions, sought independent expert advice in this regard and has actively engaged in ongoing dialogue with Natural Resources Canada and through the Large Final Emitters Group from the Electricity Sector in Canada on this matter.

It is likewise clear that the opinions expressed by Dr. Jaccard, including his views of international participants on this matter, were made without knowledge of one of the most significant recent developments on the issue, being the recent COP 10 meetings. Dr. Jaccard acknowledged that such international discussions might inform him about where trends are going regarding greenhouse gases, but he was not up to date on these discussions (14T2914-15). GSXCCC likewise argues the "likely" Canadian policy response and what might occur in the 2010-2020 period (p. 8). Two points must be made in reply: first, this "likely" Canadian policy response is based solely on Dr. Jaccard's speculation; and, second it was clearly acknowledged that there are no further commitments of any party to the Kyoto Accord beyond 2012 (14T2920-21).

In this regard, it is somewhat interesting to observe that the GSXCCC (p. 10) takes issue with the characterization of Dr. Jaccard's evidence as "speculation". The record will confirm that this characterization was first used by Dr. Jaccard himself (14T2933). While others have resorted to dictionary definitions during the course of

their Arguments to assist in making their points, DPP is of the view that neither the Commission nor parties require a definition of "speculation" in order to be able to fully understand the basis, or lack thereof, for Dr. Jaccard's positions.

The BCOAPO et al (p. 14) refer to Dr. Jaccard's speculation that GHG emission obligations will likely be at the gas production point versus the emissions point. Again, there is simply no evidence to support this speculation.

DPP wishes to thank Mr. Steeves for pointing out the mathematical equation discussed at 14T2921-25. The transcript clearly indicates that the \$150/tonne number used came from Dr. Jaccard's evidence (see 14T2922 and Dr. Jaccard's Evidence, p. 3). This discussion was somewhat superceded by Dr. Jaccard's NPV number of \$45 billion (14T2925), as the point was to emphasize that implementing measures with this type of cost attached would be very difficult politically (ie. political suicide), which was accomplished at 14T2926.

H. SECTION 71 OF THE UCA

At the outset, DPP must point out that in its Argument Norske (p. 17) appears to have totally misunderstood the position advanced by DPP in its Final Argument (p. 22-23). Contrary to what Norske asserts, DPP did not assert that the Commission ought to direct that the EPA be amended to include duct firing. To the contrary, DPP clearly maintained that the Commission should determine that the filed EPA, which only includes the non-duct firing capability of the plant, is in the public interest. Norske may have been confused by the fact that DPP confirmed that the facility it will actually construct will physically include such duct firing capability and, as such, it would be available to meet the capacity needs on Vancouver Island.

While DPP acknowledges that the Commission has the authority to either accept, reject or condition a determination made pursuant to Section 71 of the UCA, it submits that the appropriate course of action is for the Commission to determine that, based on

the entirety of the evidence in these proceedings, the filed EPA is consistent with the public interest and should be accepted as such.

DPP requests that the Commission issue its decision as contemplated by February 17, 2005 and also endeavour to release full Reasons for Decision as expeditiously as possible regarding this proceeding.

ALL OF WHICH IS RESPECTFULLY SUBMITTED THIS 7th day of February, 2005.

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