

From: skip salty [skipsalty@gmail.com]
Sent: Tuesday, September 27, 2011 8:52 PM
To: Commission Secretary BCUC:EX
Cc: dwcraig; Jim Quail; Eugene Kung
Subject: Project No. 3698640 Dawson Creek/Chetwynd Area Transmission Project (DCAT)

**BC HYDRO – CPCN FOR DAWSON CREEK/CHETWYND
AREA TRANSMISSION PROJECT EXHIBIT C1-2**

TO Ms Alanna Gillis

Acting Commission Secretary

British Columbia Utilities Commission

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Dear Ms Gillis

I would like to support the application of CEC and BCPIAC to look at an alternative to the BCH application for the reasons explained below.

1. On Top of the one-time transmission costs of over \$200 million, there is a huge \$82 million per year to \$331 million per year energy cost deficit at stake, literally totaling billions over the 25 years or so life of the gas field etc.
2. Any alternative by CEC that might reduce capital and energy cost seems very well worth \$135,000 PACA to investigate. Particularly because the BCH application unfortunately may have omissions and unquantified risks , and thus may not give BCUC or the public a clear and accurate picture how much money, if any, the other ratepayers are asked to subsidize the producers, and also what it may do to the painful BCH rate spiral.
3. The alternative proposed by CEC seems feasible and may be less costly, and may be much more flexible and have less adverse impact on rates, Rates are determined by BCH revenue requirements budget which is about 20% labor and 48% energy costs. I appreciate that Energy Minister Coleman did the very best he could to cut labor with his recent panel, but he can't easily cut energy costs when BC is stuck with long-term contracts or promises.
4. Any decision today on energy facilities or contracts will affect costs and rates over their 25 year life or more .BCH management and ruling parties can change 5 times during that time, but regardless of later reviews , they are stuck with the costs and consequent rates, arising from today's decisions.
5. The alternative proposed by CEC requires professional experts to work out engineering details. costs and impact on rates, and make comparison with the BCH application .If BCUC does not approve PACA, the public will never be sure whether the alternatives proposed by CEC etc would or would not be less costly and have less rate impact.

6. In calculating the cost difference and rate impact .BCH unfortunately omit the difference in energy costs with and without producers. That may give an understated and unclear picture to BCUC, and to the public, to BCH management and the Minister, any MLA's and any people who are not professional accountants or engineers with enough time to study all the fine print.
7. As CEC correctly points out, producers pay industrial rates in the order of \$48 per MWh, whereas BC hydro buys new power at around 129 per MWh, or later \$90 from future Peace Site C, and about \$220 per MWh for windmills.
8. Any ordinary business that promotes sales of product at \$48 and buys it at \$90 to \$220, would fast go bankrupt.
9. And every single extra MWh BCH plans to sell to producers may lose BCH an extra \$42 to \$172 per MWh. So BCH may have to apply more often to BCUC every year for more rate increases, if producers buy more electric power, and BCH plans more costly , interruptible. and BCH say "undependable", wind farms ,like BCH's submission shows.
10. According to IR 1.8.1, BCH estimates producers will use 1962 GWh per year. That means BCH will lose $1,962,000 \text{ MWh} \times \$42 \text{ to } \$172 = \$82,000,000 \text{ to } \$337,000,000$ per year cash energy cost. Over 25 years that comes to 2 to 8 BILLION dollars cash..
11. BCH unfortunately does not show this quantified risk and difference in energy costs with and without producers load., BCH shows only difference in transmission capital cost and charges.
12. BCH thus unfortunately do not show and take everything into account in their spreadsheets and graphs re rate impact, which look like BCH anticipates a more minor rate impact'
13. BCH also does not show clearly who will pay, and when, for the energy cost deficit, or whether they expect to split that loss like producer 60% / other 40%, or in some other way, and why, or maybe "defer" it , which may make it a big time-bomb?
14. The hard, detailed , diligent work that has gone into the BCH submission impresses me, but though I am a PhD, and taught engineering economics for 14 years at UBC, I learned to become very cautious about the fact that anything coming out of a computer or spreadsheet is only as good as the assumptions that go into the computer.
15. I am not assured that spinning coins in a Monte Carlo simulation on a computer to assess risk is a substitute for judgment and caution, on how many millions BCH, and therefore BCH ratepayers, may be gambling today in a time of recession .
16. I appreciate BCH have done their diligent best to study "expert" projections of our unpredictable economy, in the US and Asia, Mideast OPEC actions, wildly fluctuating oil and gas futures on the NY stock exchange, and various potential shale gas plays, over the next 20 year period.

Naturally coin spinning Monte Carlo models will tell BCH that producer loads will be halfway between zero and maximum, but I fear that BCH can't really be sure how big and at what time
18. BCH state they are obliged to provide Firm service to any producer that wants it, but I am not sure if the law obliges BCH to supply it at a serious loss to BCH.

19. BCH propose a special tariff extra and deposit, which implies that it covers the extra cost and uncertain risk to supply producers. But BCH don't seem to prove clearly and numerically that it covers all of the extra cost and risk, with enough margin of safety for risk.

20. I agree a BCUC decision to favor gas producers by having other ratepayers subsidize them might create more gas field jobs, as BCH implies, but the consequent rate increase might equally put other industrial customers out of business and cause layoffs.

21. A "Certificate of Convenience and Necessity" is in effect a CERTIFICATE TO TAX CAPTIVE CUSTOMERS"

22. While BCH still has low residential rates, and electricity rate hikes may only be a minor expense to most residential customers, I fear it hits all retired and poor people.

Moreover it is a major expense for commercial customers where we eat, buy goods and services we all need. Also for industrial customers which have to compete in world markets to provide employment

. Therefore BCH advocating job creation by producers that might be increased by other customers subsidizing producer electrification, is conflicting with DSM and uncertain.

23. While BCUC have jurisdiction, they are constrained by legalistic Carbon, right of service, conflicting DSM, tariff procedures, security deposits, job creation, uncertain amount and timing of producer loads, rates, etc, etc, and with all the different issues it won't be easy for BCUC to decide.

24. BCH load forecasts and economic risk assessment seem uncertain to me, despite Monte Carlo computer games to assess risk, and the best forecast opinion of experts. It's a legitimate and good game the producers are used to and are good at, and I notice that BCH IR reports that one cautious producer judges it's best to hedge his bets: he plans some gas driven compressors, which he can install any time he needs, and also some electric compressors which commit him to a prior cash deposit to BCH. Maybe BCH should also hedge its bets.

25. It may be the CEC investigation of more flexible alternatives would allow BCUC, BCH, and ratepayers to compare the risks, costs and rates, if the Producers fund some or all their own play with either a) costly windmill-supplied electricity, or b) gas driven compressors. I am reminded of a 2010 Vancouver Sun editorial which said "We're all in favour of alternative energy, but not at any price."

26. The CEC study might help BCUC to judge whether, and to what amount BCH and its captive ratepayers (and also the BC Govt) might be better off, if BCH had thermal power backup in the Dawson region in case of line failure, and / or producers relied mainly on gas compressors and/or used only interruptible surplus power

Bottom line, With maybe 2 to 8 BILLION dollars at stake, I am convinced that the public and BCUC would be well served to approve a CEC \$135,000 PACA study of alternatives.

Yours sincerely

Vernon Ruskin PhD, MCom, BSc, P.Eng BC, On. WA (retired)

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Ps My computer was hacked and I lost all the needed email addresses, so would you please be so kind as to send my letter to all the people concerned