

BC HYDRO – 2008 LTAP  
EXHIBIT C20-5

-----Original Message-----

**From:** Minister, EMPR EMPR:EX [mailto:EMPR.Minister@gov.bc.ca]

**Sent:** Wednesday, February 11, 2009 11:32 AM

**To:** danpotts@shaw.ca

**Cc:** Premier@gov.bc.ca; Minister, ENV ENV:EX; Minister, FIN FIN:EX; Minister, FOR FOR:EX; HSD Minister HSD:EX; Minister, SMIN SMIN:EX; Minister, TCA TCA:EX; Minister, TRAN TRAN:EX; deJong.MLA, Mike LASS:EX; Hawes.MLA, Randy LASS:EX; MacKay.MLA, Dennis LASS:EX; Sultan.MLA, Ralph LASS:EX; McDonald, J L PREM:EX; Reimer, Greg A EMPR:EX; MacLaren, Les EMPR:EX; Bob.Elton@bchydro.bc.ca;

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**Subject:** Ref No 45928

Mr. Daniel T. Potts  
Executive Director  
Joint Industry Electricity Steering Committee  
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Dear Mr. Potts:

Thank you for your email of January 26, 2009 regarding a re-commitment to low cost power. As the newly appointed Minister of Energy, Mines and Petroleum Resources, I am pleased to respond on behalf of the Government.

C20-5

BC Hydro needs to develop new sources of electricity in order to make British Columbia electricity self-sufficient by 2016, as directed in "The BC Energy Plan: A Vision for Clean Energy Leadership" (Energy Plan), available at [www.energyplan.gov.bc.ca](http://www.energyplan.gov.bc.ca). The self-sufficiency target will be met through conservation, improvement to BC Hydro's own generating assets by BC Hydro and purchases from independent power producers (IPPs).

I understand from your email that the Joint Industry Electricity Steering Committee is interested in low cost power for their membership, as well as other BC Hydro customers. Government too has the objective of preserving British Columbia's electricity rate advantage. The Government has implemented several measures to support this objective, the most recent of which was removing the termination provisions in the Heritage Contract.

BC Hydro's action plan to cost-effectively meet growing customer electricity requirements, consistent with the direction set out in the Energy Plan, is through the Long Term Acquisition Plan (LTAP) currently under review by the British Columbia Utilities Commission (BCUC). As you note, BC Hydro filed an Evidentiary Update to the LTAP in late 2008, decreasing their planned acquisition of electricity from IPPs to 3,000 gigawatt hours. In addition, BC Hydro submitted a letter to the BCUC on January 12, 2009, indicating that BC Hydro is open to acquiring additional supply from IPPs if the potential Electricity Purchase Agreements are cost-effective.

The Government is proud of the contribution IPPs are making to the British Columbia economy, providing jobs, investment and revenue, while reducing greenhouse gas emissions. The Government is also interested in ensuring that the regulatory process adequately considers its long-term electricity policy objectives as evidenced in the 2008 amendment to the *Utilities Commission Act*.

I look forward to working with the Joint Industry Electricity Steering Committee. Thank you, again, for writing.

Sincerely,

*Original Signed By*

Blair Lestrom  
Minister

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January 26, 2009

**By Email and Mail** [EMPR.Minister@gov.bc.ca](mailto:EMPR.Minister@gov.bc.ca)

Blair Lekstrom  
Minister of Energy, Mines

and Petroleum Resources  
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### **A Re-Commitment to Low Cost Power**

C20-5

A recent Vancouver Sun editorial called for the Provincial Government to step in and mandate "green energy production; saying "the more the better" at any cost.

When such advocacy focuses solely on Independent Power Producer (IPP) sources of power and fails to consider other alternatives and actual need the advocacy is reckless. If acted upon, the results would have equally reckless results for the province. BC Hydro should only buy electricity that its customers require and it should buy that power in the most cost-effective way possible. If BC Hydro buys more green power than it needs it is buying power for export, probably at a loss.

The editorial described the courage and leadership of WAC Bennett as an important parallel to the need to develop clean energy. Bennett's leadership focused on the delivery of low cost energy to attract investment to the province and aid BC's industrial competitiveness

Invoking a policy that forces BC Hydro to buy IPP power at any cost will punish residents who are already enduring tough economic times, reduce British Columbia's competitiveness, burden BC's ability to climb out of the recession and impair long-term future prosperity. BC Hydro's proposal to reduce the call size from 5,000 to 3,000 GWh is a reasonable response to changing economic expectations.

Certainly we support "IPP green energy" as being a part of the future energy mix, but not exclusively so. It must earn its place through competition particularly with conservation alternatives, efficiency improvements on existing BC Hydro generation sites, conservation of existing self-generation capability at industrial sites, and Site C. Competition drives costs lower and is the only way to protect and best serve the long term interests of British Columbians.

When committing to buy new energy BC Hydro is taking the right approach in being cautious. They know future demand is uncertain and don't want to buy more power than is needed. They are being careful not to saddle citizens with power they don't need or that is so expensive it can only be resold at a loss.

Here's a good analogy. Directing BC Hydro to "buy IPP green power at any cost," is no different than taxpayers financing the construction of expensive condos in Vancouver on the misguided belief they will always go up in value, only to find out they can't be sold at that price. The public ends up being stuck with the condos they didn't need or want and then having to sell them at a loss.

At current market price projections BC Hydro will lose approximately \$120 million per year if forced to buy an additional 2,000 GWh of expensive power that isn't needed and must be sold at expected export prices. If Independent Power Producers really believe there is a market for their generation in the US or elsewhere, they should sell the power themselves, not try to force BC Hydro's customers to subsidize their exports.

Aggressive conservation is a far better alternative. It is the lowest cost, most environmentally

responsible option. Enormous opportunities exist in the industrial sector to reduce electric power consumption at a lesser cost. Let's engage those opportunities.

Harness the competitive spirit in the name of protecting the low cost advantage we have been left by WAC. Challenge the innovators to deliver clean energy from lower cost options. C20-5

The recent cold spell demonstrated an innovative coordinated industrial response where 350 MW of capacity (more power than is required for all City of Vancouver households) for 4 hours was created through industrial curtailment. It only took 5 hours notice to ensure that Hydro could keep the lights on and houses warm through an extremely cold weather event (Dec 15, 2008). Forcing BC Hydro to buy this power from an IPP project would obligate ratepayers to purchase expensive power for the other 8,756 hours of the year when we did not need it.

Our energy future is of vital importance. Large industrial manufacturers are actively represented in the current BCUC proceedings and we're very concerned about the outcome and its impact on our ability to compete internationally, sustain current operations and maintain employment if we become unreasonably shackled by unnecessarily excessive electricity rates.

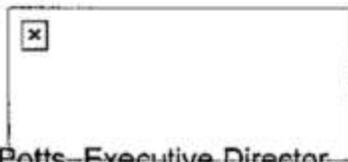
Let the current review process now underway before the BC Utilities Commission (BCUC) run its course and reach a decision free from government interference or constraint.

There are many conservation and electricity acquisition proposals that BC Hydro has put forward as part of its Long Term Acquisition Plan to serve the public interest. These deserve free and unfettered consideration.

The positions taken by BC Hydro and the decision rendered by the BCUC will have a real impact on our future -- and on the future of those who depend on us, including 15,000 British Columbians we directly employ. Let's make the effort to ensure those decisions serve the best interests of the province and those who live and work here.

And that effort should start with government making a firm re-commitment to low cost power.

Sincerely,

A rectangular box with a small 'x' icon in the top-left corner, indicating a redacted signature.

Daniel T. Potts, Executive Director  
Joint Industry Electricity Steering Committee

*The Joint Industry Electricity Steering Committee (JIESC) which represents the major industrial users of purchased electric power in BC's pulp and paper, mining and mineral processing, and electro-chemical industries, directly employing more than 15,000 British Columbians in their electric power intensive operations.*