

## DUKE PT. PLANT – A FEW QUESTIONS

April 25/05

- \* Is this plant necessary? (No . . . there are many more sensible/acceptable alternatives . . . )
  - \* How did it come about then? (Through 8-9 years of confusion, misinformation, government misdirection . . . )
  - \* What impacts will this plant have on the environment? (800,000 tonnes of CO<sub>2</sub> every year it operates (Kyoto), health effects, consumes a valuable natural resource, . . . )
  - \* Didn't it pass an Environmental Assessment? (Yes, but . . . . )
  - \* What about costs? (Ratepayers will pay \$35M/year for 25 years even if plant doesn't operate – which it won't because it'll be too expensive to do so (just like fast-cats). Per JIESC, total \$4.5B. Using last year's gas prices, JIESC estimates cost of electricity at 22 cents/KWh . . . . )
  - \* BC Hydro claims the Call For Tender process that led to this proposal was open and fair. Do you agree? (No, it was biased in favour of this project, against more sensible alternatives . . . )
  - \* Anything else troublesome about this plant/proposal? (Yes – the way it was imposed on the community despite extensive/loud/clear/reasoned protest . . . )
  - \* What was the Apr 6/05 leave for appeal all about? (Basically three lawyers arguing on behalf of VI citizens, industry, and environmental organizations that the EPA and gasplant aren't in the public interest, with four lawyers arguing on behalf of BC Hydro and Alberta-based investors that they are. Strange business indeed . . . . )
  - \* Do you see any parallels between this and the fast ferries? (Yes! Big \$'s, no sense technically, won't be economic to run, gov't-related boondoggle . . . )
  - \* What would you like to see happen? (Gov't take responsibility and cancel the Electricity Purchase Agreement, then direct BC Hydro to get on with more acceptable alternatives . . . )
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## DUKE PT. PLANT – A FEW FACTS

- \* The plant will produce over 800,000 tonnes of CO<sub>2</sub> every year it runs, flying in the face of common sense, Canada's recent commitment to the Kyoto accord, and BC's recently announced *Climate Change Plan*. Although natural gas is a relatively clean fuel, recent studies have shown its noxious combustion byproducts adversely affect human health.
- \* The plant is not necessary. A new transmission cable is scheduled for completion in 2008. There are simpler, cheaper, cleaner, and more socially acceptable ways of dealing with VI's immediate and long-term electricity needs; eg - serious conservation, peak load management, cogeneration, and the development of VI's abundant green/sustainable resources
- \* Natural gas is a valuable and dwindling resource. If more is going to be burned on VI, it makes 50% more sense thermodynamically to burn it directly as a replacement for electric heating. If the 252MW worth of gas slated to be burned each year by the plant were instead burned directly as a replacement for electric heat, approximately 380MW worth of electricity would be saved, and thus created for meeting peak demand, export, or whatever.

\* The same plant was turned down by the BC Utilities Commission in 2003, on the grounds that BC Hydro had not shown it was the most cost effective means of meeting electricity needs on VI. Based on a long-range gas price of US \$3/GJ, BC Hydro predicted at the time (against much protest) that electricity produced by the plant would cost 68 cents/KWh. Nowadays gas price is around US \$6/GJ, and all indications are that it is rising. As well, Pristine will be throwing in a profit margin. (ie - How can it be cost effective now?)

\* The Environmental Assessment for VIGP started off under the old act requiring that impacts be prevented or reduced to an acceptable level. The public made a strong case against granting the EA, and the EA Project Committee membership was the strongest we'd seen, with an unprecedented four representatives from local government. However, midway through the process the Liberals gutted the EA Act (requiring only that the plant meet existing standards, without regard to environmental impacts or end use) and eliminated the EA Project Committee's legislated role in the review. Not being able to consider environmental impacts or end use, and with no standards for CO2 emissions, VIGP was granted an EA certificate.

\* With high fixed costs and non-desirability of stop/start operation, it makes sense to run a plant like this full time - surplus power being sold for export. That was the plan up to and including the VIGP hearing. However, if electricity isn't needed to meet a peak demand situation, and the cost of electricity produced is higher than export price, the plant will be shut down. BCH is no longer saying the plant will run continuously – something which brings into question the validity of the Environmental Assessment, which was based on continuous operation. Using actual gas prices over the last year, the Joint Industry Electricity Steering Committee (JIESC) last December estimated that the plant would have run at most 20% of the time, and, because of the fixed costs, the cost of electricity produced would have been in the order of 22 cents/KWh. The production cost of the heritage hydroelectricity we enjoy today is around 3.5 cents/KWh.

\* According to the Electricity Purchase Agreement, BC Hydro assumes gas price and delivery risks. This means BC ratepayers, instead of Alberta-based investors, get saddled with the cost/risk of increased gas prices. Similarly BC Hydro will be required to pay any future penalties or 'carbon taxes' on greenhouse gas emissions. As well, BC Hydro must pay \$35M-60M/yr (depending on if you listen to BCH or JIESC) to Pristine for the next 25 years to cover fixed costs of the plant - even if the plant doesn't run.

\* The Call For Tender process which led to the selection of Pristine Power's proposal disallowed obviously sensible solutions to possible (but unlikely) short-duration and short-term peak capacity deficiencies - namely load reduction (conservation), load curtailment, and peak shifting. Furthermore, the tender specifications ruled out virtually all green/sustainable alternatives (such as small-scale hydro, wind, tide, etc) by requiring that any power tendered needed to be available 97% of the time between October and March. If the generation proposal happened to be fuelled by natural gas, BC Hydro protected the bidder against gas price increases by assuming gas price and delivery risks. (This guarantee/subsidy was not offered to bidders using other fuels.) And finally, if the generation proposal happened to feature a 252-265 MW combined-cycle gas turbine, BC Hydro would sell the bidder \$120M worth of assets left over from the nixed VIGP project (including a shiny new turbine now sitting in a crate in a warehouse in Surrey) for \$50M. To cap things off, BC Hydro management had by now written the \$120M worth of VIGP assets off the books, so, should a bidder decide to go this route, BC Hydro would realize a \$50M credit ('profit?') from the sale of the 'scrap' assets.