



GSX Concerned Citizens Coalition

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For Immediate Release: January 24, 2005

BCUC Panel decides before hearing all evidence

Vancouver - The BC Utilities Commission panel reviewing BC Hydro's electricity purchase agreement with Duke Point Power LP has indicated on the record that it has already decided the outcome it wants, in advance of having heard all the evidence due to be given.

Public transcripts released on Friday give a partially censored account of an "in camera" meeting held two days previous between the two-member Commission panel and one of BC Hydro's witness panels. Commission Chair Robert Hobbs tells the BC Hydro witnesses that a project different than the winner of BC Hydro's Call For Tenders (CFT) should receive the Panel's approval.

Hobbs then says, "You know now what I want to try to do. I need your help in telling me how I can get there." (Transcript, p.1742) Mr. Hobbs then asks BC Hydro's for suggestions on how the Commission can approve the desired project even though it was not the winner of the CFT process. GSX Concerned Citizens Coalition and all other intervenors in the hearing were not allowed to attend the Commission's "in camera" session with BC Hydro.

"This is outrageous and clearly presents a reasonable apprehension of bias," said GSXCCC president Tom Hackney, "We and other intervenors have expert witnesses lined up to testify. We have a strong case against the Duke Point proposal. How can anyone now believe we will be heard?"

The transcript shows the Commission Panel chair openly asking BC Hydro to help subvert the outcome of the CFT and hand pick who should win the contract.

"There must be integrity in both the tendering and regulatory review processes," Hackney insisted. "How can power project bidders or the public have any faith in the fairness of this hearing?"

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The "in camera" transcript is online at:

www.bcuc.com/Documents/Proceedings/2005/DOC_6660_20050119ric.pdf

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Background

Since 2000, BC Hydro has been trying to build natural gas-fired generation on Vancouver Island, first with the Port Alberni Cogeneration, then Port Alberni Generation projects. In 2003, BC Hydro proposed the Vancouver Island Generation Project (VIGP) for Duke Point, near Nanaimo. In September 2003, the BC Utilities Commission refused permission for that project but encouraged BC Hydro to hold a "call for tenders".

In the fall of 2003, BC Hydro initiated the Vancouver Island Call For Tenders (CFT) for power generation projects on Vancouver Island. Some 11 bidders with 23 projects prequalified for the main round of bidding. BC Hydro hired PricewaterhouseCoopers as the independent reviewer for the CFT, monitoring and reporting on fairness and BC Hydro's adherence to the CFT.

After initial screening, the CFT process assembled the projects into "portfolios" that could meet the Island's projected energy demand. Of the five portfolios assembled, the eventual winner was the Duke Point Power LP project (DPP), *without* duct firing. A competing proposal, the DPP project *with* duct firing was unsuccessful in winning the CFT contest.

Transcripts of an "in camera" meeting on January 19, 2005, indicate Panel Chair Hobbs and a BC Hydro witness panel agree that DPP with duct firing is actually more cost effective. Their discussions appear to effectively circumvent the CFT decision process as evidenced in the transcript when Hydro witness Mary Hemmingsen openly acknowledges that the Duke Point Power project, without duct firing, is not the most cost-effective project, despite having the lowest price tag.

On November 3, 2004, BC Hydro announced that DPP, a project of Calgary-based Pristine Power, was the CFT winner. The current hearing is reviewing the electricity price agreement BC Hydro entered into in awarding the CFT to DPP. The BCUC hearing began on January 17 and is expected to continue for another week.

On December 20, 2004, a key part of BC Hydro's natural gas strategy for Vancouver Island, the GSX Pipeline project was cancelled. On December 22, Commission panelist Murray Birch recused himself from the review panel in response to GSXCCC's submission that a reasonable apprehension of bias existed as Mr. Birch is the acting president of Alliance Pipeline, a major natural gas transporter.

BC Hydro's rationale for urgently building on-Island generation is a worst-case, theoretical power shortfall, caused by a planning assumption that "zero-rates" in 2007, a set of existing, aging, sub-sea transmission cables that bring hydroelectric power from the mainland.

BC Transmission Corporation now plans to replace the cables, and projects an in-service date for the replacement sub-sea transmission system by October 2008.

The agreement between BC Hydro and DPP, which will cost BC electricity users hundreds of millions of dollars over its 25 year term, is a grossly misplaced "solution" to a short-term bridging problem between 2007 and 2008.

For more information on DPP, VIGP, GSX or related topics, visit www.sqwalk.com or contact:

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