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CAARS

Kelowna, B.C.

July 25, 2003

(PROCEEDINGS RESUMED AT 9:00 A.M.)

THE COURT: Good morning. This is the third of three regional sessions of the inquiry regarding Heritage Contract Stepped Rates and Access Principles.

I'm Robert Hobbs. I feel like I've come home in this setting. With many of you I've spent many hours in this very room. I'll be the Panel Chair. With me are Commissioners Ken Hall and Paul Bradley. Commission counsel in this inquiry is Gordon Fulton. Lead staff is Jim Fraser and this morning he's joined by Rob Gorter and Sarah McLeod.

On November the 25th, 2002, the Province of British Columbia announced its new Energy Plan. The four cornerstones of the Energy Plan are low electricity rates and public ownership of B.C. Hydro, secure and reliable energy supply, more private sector opportunities, and environmental responsibility, and no new nuclear power sources. On March 25th, 2003 the Province directed the Commission to hold an inquiry relating to a Heritage Contract for B.C. Hydro's existing generation resources, stepped rates for transmission voltage customers, and transmission access. As directed under the Terms of Reference for the

1 inquiry, B.C. Hydro filed its proposal on the inquiry
2 issues on April the 30th, 2003.

3 The Commission is to provide a report and
4 recommendations to the province by October the 17th,
5 2003. The Commission's report will include
6 recommendations on the terms and conditions of the
7 Heritage Contract that will lock in the value of
8 existing low-cost generation in order to benefit all
9 B.C. Hydro ratepayers. The contract will be implemented
10 through legislation that specifies the term and amount
11 of energy involved. Public ownership of B.C. Hydro
12 generation transmission and distribution assets, along
13 with the use of trading revenues to supplement domestic
14 revenues, is to continue.

15 We held similar sessions this week in
16 Victoria and Prince George, and the panel is looking
17 forward to this session this morning. And with that
18 I'll turn the proceedings over to Mr. Fulton.

19 MR. FULTON: Thank you, Mr. Chairman. I'll ask first that
20 we have our appearance from British Columbia Hydro and
21 Power Authority.

22 MR. WEBB: Iain Webb, counsel for B.C. Hydro.

23 MR. FULTON: Mr. Chairman, I have a number of individuals
24 who have indicated they wish to appear and speak before
25 the Commission. Several are here, two are not. Mr. Dal
26 Scott, the superintendent of mill engineering of

1 Highland Valley Copper is here and has a presentation;
2 Rod Carle on behalf of the Interior Municipal Electrical
3 Utilities is here and also has a presentation; Lila
4 Parsons is here and has a presentation to make to the
5 panel. The groups that were not here when I canvassed
6 the room immediately before we started are the Thompson-
7 Nicola Regional District and I had understood that John
8 Ranta who is the chair of the regional district was to
9 be here to make a presentation. And the last group was
10 the District of Salmon Arm. I'm not clear as to whether
11 they are going to make a presentation or not, but the
12 Commission Secretary had received an indication that the
13 district of Salmon Arm would be appearing.

14 The process that we have followed in the
15 regional inquiry sessions to date has been that B.C.
16 Hydro speaks to their Heritage Contract Proposal and the
17 Stepped Rate proposal. They then are available for
18 questions from the floor. If there are no questions of
19 B.C. Hydro then the parties that appear come forward and
20 make their presentations. The parties can be sworn if
21 they wish and they should indicate to me at the outset
22 whether they wish to be sworn and to answer any
23 questions that either the Commission panel or B.C. Hydro
24 Commission staff or others on the floor have of them.

25 And in terms of the order I had initially
26 intended to begin with the Regional Districts or the

1 Regional District of Thompson-Nicola and the District of
2 Salmon Arm, but because they are not here yet, once we
3 complete the Hydro presentation it would be my proposal
4 to begin with Highland Valley Copper, then move the IMEU
5 and then to Ms. Parsons. And then hopefully by that
6 time the other groups will have appeared.

7 So that is the preliminary matters that I
8 have and an outline of what I anticipate will happen
9 procedurally this morning. With that outline then, I
10 will turn the mike over to Mr. Webb.

11 THE CHAIRPERSON: Just before you do that, I wonder if --
12 maybe you've already done this, Mr. Fulton, but I wonder
13 if anybody in the room can be of assistance with respect
14 to the appearance of John Ranta or somebody from the
15 District of Salmon Arm. Is there anybody that can help
16 us? Because chances are very good that we are going to
17 finish this morning.

18 MR. FULTON: And the information that certainly the
19 Regional District was given, Mr. Chairman, was that we
20 would be starting at 9:00 a.m., that they should have 20
21 copies of their presentation for distribution and that
22 if they had any further questions they should call me,
23 but I had also asked the Commission secretary to advise
24 them that the Commission did not want to have any down
25 time, and it would be necessary for them to attend for
26 the morning session or they may miss their opportunity

1 to make an oral presentation. That did not mean,
2 however, that they would not be prevented from making a
3 written submission to the Commission on these matters.

4 THE CHAIRPERSON: Thank you, Mr. Fulton.

5 MR. WEBB: Good morning. Mr. Fussell is here today on
6 behalf of B.C. Hydro to give the same presentation that
7 was given in Victoria and in Prince George. This has
8 already been entered as Exhibit 4-3. Mr. Luzstig is not
9 here. Urgent matters required him to return to
10 Vancouver yesterday and he sends his apologies to the
11 Commission that he could not be here. Mr. Fussell will
12 be giving the full presentation, and has already been
13 sworn.

14 THE COURT: Thank you.

15 **COLIN FUSSELL, Resumed:**

16 MR. FULTON: Mr. Bemister has indicated to me that there
17 are copies of the presentation at the back of the room,
18 so if people do not have them, he'll hand them out at
19 this point.

20 **EVIDENCE IN CHIEF BY MR. WEBB:**

21 MR. WEBB: Q: Mr. Fussell, if you would please introduce
22 yourself and state your position at B.C. Hydro.

23 MR. FUSSELL: A: My name is Colin Fussell. I work in the
24 rates department of B.C. Hydro.

25 MR. WEBB: Q: Thank you.

26 MR. FUSSELL: A: Good morning. I'm going to first go

1 through the Heritage Contract that B.C. Hydro is
2 proposing and then proceed with the stepped rates.

3 The Heritage Contract locks in the value of
4 existing low cost generation assets for an extended
5 period of time. The initial period set out in the
6 contract is ten years. The energy plan, action plan
7 that sort of set out the Heritage Contract is Policy
8 Action Number 1 and it requires a legislated Heritage
9 Contract to preserve the benefits of B.C. Hydro's
10 existing generation. Policy Action Number 2 says B.C.
11 Hydro ratepayers will continue to benefit from
12 electricity trade.

13 The Terms of Reference for the Heritage
14 Contract Inquiry further defined the key assumptions.
15 Based on these B.C. Hydro defined its objectives for the
16 Heritage Contract Proposal.

17 The Heritage Resources are set out as part of
18 the Terms of Reference. They are set out in Schedule A.
19 They include the Peace and Columbia system, coastal
20 system, the Burrard thermal, Rupert and Fort Nelson
21 thermal plants, and they also include some obligations
22 that are required under the -- existing obligations that
23 are required for B.C. Hydro to continue with. And these
24 include such things as this obligation to provide energy
25 to City Seattle Light in lieu of raising the Ross Dam.

26 The Heritage Beneficiaries include all

1 customers, all of B.C. Hydro's customers as set out in
2 Schedule B. They also include customers of Aquila, and
3 they also include New Westminster. When I say "Aquila",
4 Aquila would get the benefits through their power
5 purchases from B.C. Hydro.

6 The energy quantity used to define the
7 Heritage Contract as required in the Terms of Reference
8 is average water conditions.

9 The annual trade income over \$200 million
10 will flow to the government through B.C. Hydro. So all
11 the benefit under \$200 million goes to the customers.

12 Secure reliable supply. The Heritage
13 Contract will allow B.C. Hydro to provide secure and
14 reliable electricity for all current and future. B.C.
15 Hydro ratepayers. In effect, the Heritage Contract
16 should not cause a degradation in system reliability.

17 Low electricity rates. In effect it should
18 provide for B.C. Hydro to provide the capability of the
19 Heritage Resources on the basis of their embedded cost.
20 Embedded cost is basically the same basis on which we
21 currently set revenue requirements for B.C. Hydro. The
22 contract should allow B.C. Hydro to maximize the value
23 of generation capability of the resources within B.C.
24 Hydro's control and allow B.C. Hydro to minimize the
25 cost of acquiring resources for ratepayers. Over all,
26 system optimization today and in the future.

1 When B.C. Hydro put together the contract, I
2 mean, the main focus that we had in sort of designing
3 the contract was that overall system optimization, sort
4 of existing system optimization and future system
5 optimization should be preserved. Overall system
6 optimization will allow the continuing service to
7 domestic customers in the least cost. From an operating
8 perspective, optimization allows the coordination of
9 Heritage Resources, IPP purchases and market purchases
10 so that the least opportunity cost supplies are used
11 first.

12 Example of when we speak of least cost
13 opportunity cost, for example if running fuel through
14 Burrard is more expensive than running natural gas
15 through ICP, ICP should be used first before Burrard.
16 It also would allow B.C. Hydro, when you are thinking
17 from an operations perspective and an optimization
18 operations perspective, we would look at the value of
19 water and see whether it was more useful to use that
20 water to generate today versus storing it and using it
21 tomorrow. If we think the opportunity cost is higher
22 in the future than it is today, then we would typically
23 store the water.

24 And from a planning and acquisition
25 perspective, in looking at the future purchases that
26 B.C. Hydro would undertake to provide service to the

1 domestic customers, it's clearly going to look at how
2 those purchases fit in with the existing resources to
3 make sure that when we purchase that resource and add it
4 to the existing base of the Heritage Resources that the
5 overall result is the least cost.

6 The regulatory structure from which the
7 Heritage Contract is being constructed, it's basically
8 being set out as an agreement between B.C. Hydro
9 generation and distribution lines of business. The
10 Heritage Beneficiaries in aggregate receive the benefit
11 of the Heritage Contract through B.C. Hydro's overall
12 revenue requirements. I'll just touch on that a little
13 bit later. The Heritage Beneficiaries receive the full
14 benefit of the generation of the Heritage Resources and
15 the first call on all available resource capacity.
16 Effectively, the domestic customer will have first call
17 on the total flexibility of the system in serving the
18 domestic load.

19 The Heritage Payment Obligation is the actual
20 cost to deliver Heritage Electricity required to meet
21 the needs of domestic customers. In effect, when B.C.
22 Hydro goes for a revenue requirement, B.C. Hydro would
23 be putting forward what it thinks the required costs to
24 maintain and operate the Heritage Resources and that
25 figure would be used in the revenue requirement.
26 Neither the Heritage Reference Price that's put forward

1 in the material that's being presented by B.C. Hydro,
2 the \$25.30 per megawatt hour, nor the average energy,
3 the 49,000 gWh, feed into the Heritage Payment
4 Obligation under B.C. Hydro's proposal. The reference
5 cost information has been included in the proposal and a
6 forecast will be provided in B.C. Hydro's 2004 Revenue
7 Requirement filing.

8 So when B.C. Hydro goes forward for a Revenue
9 Requirement next year, assuming B.C. Hydro's proposal is
10 accepted, B.C. Hydro would be looking at the actual cost
11 of providing energy from the Heritage Resources.
12 Neither the 49,000 nor the \$25.30 per mWh would be used
13 in that application.

14 The Heritage Deferral Account, to account for
15 differences between the actual Heritage Obligation and
16 the forecast set at revenue requirements, helps to
17 stabilize rates. What B.C. Hydro is proposing is a
18 deferral account. In effect in the Revenue Requirement
19 we would put forward what we think is the appropriate
20 costs associated with the Heritage Resources. A
21 deferral account would be set up to measure the
22 difference between that forecasted cost and the actual
23 cost that would be determined after the fact. And those
24 differences would be carried forward, and depending,
25 they could a credit or a debit with respect to the cost
26 that would be carried forward in the future revenue

1 requirement hearings.

2 All trade income up to \$200 million per year
3 will accrue to ratepayers. Ratepayers are protected
4 against negative trade outcome. In effect if trade, for
5 some reason there is a negative associated with trade
6 activities, that doesn't affect future rates. The
7 customers are protected against any negative trade
8 outcome.

9 Under the proposed definition of trade
10 income, it's unlikely the amount will exceed \$200
11 million. Within that definition B.C. Hydro, any surplus
12 water within the system is not included in the
13 electricity trade income. That would be transferred to
14 Powerex to make a sale at a market price, so the direct
15 benefit of that goes back to the ratepayer. So you
16 won't in effect see where in the past B.C. Hydro has
17 defined trade as effectively you were bringing trade
18 income based on zero cost of providing the surplus
19 water. That is no longer the situation, at least under
20 B.C. Hydro's proposal.

21 So in summary, B.C. Hydro's proposal is a
22 Heritage Contract, a Heritage Deferral Account that will
23 come into play during the Revenue Requirement Hearing,
24 and a trade income allocation. And the trade income
25 allocation, at least the definition of trade income is
26 such that B.C. Hydro believes that in almost all

1 situations the full benefit of trade will flow back to
2 the ratepayer.

3 The Heritage Contract, itself, includes an
4 energy supply obligation of 49,000 gWh per year. It
5 provides bundled service of energy, capacity and
6 ancillary services. In effect the Heritage Contract
7 allows the full flexibility of the system to service
8 domestic customers, and the full benefit of the Heritage
9 Resources goes to the ratepayer.

10 The Heritage Deferral Account will mitigate
11 the volatility of actual costs to supply of Heritage
12 Electricity, and of course the big volatility that you
13 see within the Hydro system is the availability of
14 water, and that can swing costs plus or minus \$300
15 million per year.

16 Trade income, the definition clearly
17 separates trade activity from the benefit of water
18 conditions and allocates all trade income from zero to
19 \$200 million to the ratepayer.

20 B.C. Hydro believes its proposal meets the
21 objectives of the Energy Plan, it provides for secure
22 and reliable supply. Low Rates. It provides low rates
23 by passing on the full benefit of the Heritage Resources
24 and embedded costs, and by allowing the full
25 optimization of all B.C. Hydro's resources, and that
26 includes the existing Heritage Resources as well as

1 future purchases.

2 I'll just quickly go through the B.C. Hydro
3 Stepped Rate Proposal which is, the Stepped Rate
4 Proposal is defined within the Energy Plan within Policy
5 Action Number 14 which says:

6 "Under new rate structures large electricity
7 consumers will be able to chose a supplier
8 other than the local distributor."

9 In effect the stepped rate introduces retail access for
10 large electricity users.

11 Policy Action 21:

12 "The new structure will provide better price
13 signals to large electricity consumers for
14 conservation and energy efficiency."

15 The Stepped Rate example that is put forward
16 on the next page, on page 15, you can see a Tier 2 rate
17 at the higher rate, and within the Energy Policy, the
18 Tier 2 rate is to represent the cost of new supply. The
19 other important thing is you have a historic consumption
20 level, and in effect this would be the average
21 consumption a customer has used over the last three
22 years, and that's referred to as the customer baseline
23 load or CBL.

24 And then you have Tier 1 rate. I'll just
25 touch on those quickly. The Stepped Rate in B.C.
26 Hydro's understanding of the Energy Policy is mandatory.

1 In other words, the group of customers that the rate is
2 to apply to won't have an option as to whether they are
3 billed on it. They will be billed on it. It is bill
4 neutral and bill neutrality means that if the customer's
5 consumption doesn't change, in other words he consumes
6 at his customer baseline load, his bill will not change.

7 And it's margin neutral. Margin neutrality
8 means that B.C. Hydro's income will not change if a
9 large customer changes his consumption. In effect, if a
10 customer were to reduce, a large customer were to reduce
11 consumption in reaction to the rate, there would be not
12 cost shifts to other customers.

13 But first I'd like to touch on the Tier 2
14 rate, the Tier 1 rate, the Tier 1/Tier 2 split, retail
15 access, and the treatment associated with increased
16 productive capacity and for reduced production capacity.

17 Starting with the Tier 2 rate, the Energy
18 Policy requires that the Tier 2 rate be equal to the
19 cost of new supply. B.C. Hydro buys and sells energy
20 in the export market to meet domestic load on an ongoing
21 basis, on a continual basis. So in looking at this B.C.
22 Hydro believes that the appropriate measure of Tier 2 is
23 the cost of market purchases or market sales. And the
24 reason B.C. Hydro has chosen Tier 2 is the fact that it
25 will manage any changes within -- as a result of
26 introducing this rate, you know, decreased consumption

1 would be handled through market transactions. The
2 changes will be managed through that.

3 As a result of choosing a Tier 2 rate tied to
4 market changes, the result will be that there will be
5 the income, B.C. Hydro income neutrality principle, at
6 least our understanding of a requirement for income
7 neutrality, will be met. In effect adopting this cost
8 of new supply as the appropriate measure to use with
9 Tier 2 will minimize cost shifts to other customers.

10 The Tier 1 rate -- first of all I just say
11 the Tier 2/Tier split, what we are proposing is a 90/10
12 split. Again by adopting a 90 cent split it's a
13 relatively conservative split, but it will, at least for
14 the introduction of the rate, allow B.C. Hydro to
15 introduce a relatively simple rate with very little
16 administrative rules. It will also -- it's probably
17 reasonable for encouraging large customers to undertake
18 any DSM or conservation investment. It's an acceptable
19 level, in our view, to the extent that it minimizes the
20 potential to result in cost shifts to other customers.

21 Now, having chosen the Tier 2 rate, and the
22 Tier 1/Tier 2 split -- I'm sorry. Yeah, I think that's
23 right. Having chosen the Tier 2 rate, the Tier 1/Tier 2
24 split, the Tier 1 rate just falls out arithmetically and
25 it's set to ensure that the existing customer will not
26 see any bill change at his CBL consumption level. And

1 typically the numbers that sort of are put forward
2 within the application is that the Tier 2 would be in
3 the order of 6 cents, the Tier 1 would be in the order
4 of 2.2 cents. The current rate is the average rate for
5 1821 or the transmission customers today is
6 approximately 2.6 cents.

7 With respect to retail access, B.C. Hydro is
8 recommending that retail access not be implemented until
9 the appropriate ancillary service rates are determined
10 after BCTC assumes responsibility for the wholesale
11 transmission service.

12 BCTC, of course, is the British Columbia
13 transmission company. It is a new Crown corporation
14 that has been set up following the Energy Plan, to take
15 over the operations of the transmission system.
16 Currently B.C. Hydro operates a transmission system
17 under what is referred to as the wholesale transmission
18 service tariff. When BCTC takes over, it will be filing
19 a rate application and it will be making changes to that
20 tariff. As a result, B.C. Hydro is suggesting that
21 retail access be postponed until BCTC takes over the
22 tariff and makes whatever changes it sees necessary.
23 Otherwise to introduce retail access for transmission at
24 this time would probably create some uncertainty because
25 nobody would be sure, you know, a year or so down the
26 road, what tariff provisions they may be operating

1 under.

2 I'll just quickly look at the rate treatment
3 for new investment. The treatment of new investment
4 isn't part of the Energy Plan, but I think it's very
5 important. If you look at that rate, you know, a 6 cent
6 rate for Tier 2 and a 2.2 cent rate for Tier 1 and you
7 look at new investment in an existing plant, on its own
8 that rate would clearly discourage additional investment
9 compared to where you are today, because the current
10 rate is 2.6 and a Tier 2 rate is 6 cents, which is
11 clearly, I think in our view, discourages investment.

12 So what we're suggesting within the proposal
13 is that new plants, if a new plant came forward, put
14 some investment in place, that this rate for the new
15 plant, at least during its teething period would be the
16 sort of the average rate paid by all customers at their
17 CBL level. Currently that's approximately 2.6 cents.
18 So that average rate would apply until they've gone
19 through the teething period and they are on a basis that
20 we could establish a CBL. After we had enough
21 information to establish a CBL, the new plant would then
22 be put on the stepped rate.

23 With respect to an existing plant where
24 people are adding new facilities and increasing their
25 consumption, what we are suggesting is that if the
26 consumption were to increase more than 10 percent over

1 its CBL level, the actual CBL will be adjusted upward to
2 include the increased consumption. The result of that
3 is that any increased consumption as a result of new
4 productive capacity put into an existing plant would be
5 billed at the average rate.

6 So you have sort of -- at least beyond the 10
7 percent CBL level for an existing plant and a new plant,
8 they will both be treated, new investment at both the
9 new and existing plant would be treated on the same
10 basis.

11 With respect to treatment for reduced
12 production, now, if reduced production at an existing
13 plant results in more than a 10 percent decrease in
14 consumption, then the CBL will be adjusted downward to
15 reflect that reduced consumption. That's as a result of
16 a reduced consumption, you know, just basically where a
17 plant has taken production out of service.

18 However the reduced consumption at a plant as
19 a result of conservation investment by the customer, the
20 CBL will not be adjusted. The affect is that the
21 customer would receive the full benefit of any DSM
22 investment at the Tier 2 rate or the 6 cents in my
23 example

24 And that completes my presentation, thank
25 you.

26 MR. WEBB: Thank you, Mr. Fussell. Mr. Fussell is

1 available to answer questions about his presentation.

2 MR. FULTON: Pursuant to the procedures that we've adopted
3 with the regional sessions, Mr. Chairman, those people
4 who are participating in Vancouver are not asking
5 questions at this time, so Commission staff will have no
6 questions at this time.

7 The sessions are an opportunity for members
8 of the public in the regional areas to come forward and
9 ask any questions that they may have relative to the
10 B.C. Hydro proposals. So at this time I would like to
11 invite anyone in the audience who wishes to ask Mr.
12 Fussell questions, if they would like to come forward to
13 the mike and ask the questions that they have.

14 Ms. Parsons.

15 **CROSS-EXAMINATION BY MS. PARSONS:**

16 MS. PARSONS: Q: Hello, I'm Lila Parsons and I'm newly
17 retired and I'm living on a fixed income and I'm worried
18 about the changes to B.C. Hydro. And the reason I'm
19 worried about it is, is I am worried that with all the
20 breaking up of B.C. Hydro from the generation from the
21 dams to the distribution to this transmission, new
22 company that you just mentioned in the last part here,
23 B.C. Hydro Transmission Corporation, and you just
24 mentioned that we are going to have new rates.

25 Now, you said it's going to be a Crown
26 corporation. Now, how can I, as a newly retired person,

1 be 100 percent sure that it will be a Crown corporation
2 in the next say ten years for our Heritage Contract?

3 Because basically that comes as a package,
4 the generation, distribution and transmission.

5 MR. FUSSELL: A: Well, I can't. I can't give you that
6 assurance. I mean that's been a decision by the
7 provincial government to create BCTC, and I mean, it's a
8 legislated Crown corporation, but that's the only
9 assurance I can give you.

10 MS. PARSONS: Q: In other words, if it is privatized --
11 can it be privatized?

12 MR. FUSSELL: A: I don't know.

13 MS. PARSONS: Q: And if it is deregulated and goes into
14 the NAFTA and the GATS and all those -- you know, with
15 Chapter 11 -- I just read up on that -- it cannot be
16 returned, because if you want to bring it back to a
17 Crown corporation like Quebec -- I'm using Quebec as an
18 example. They have told their citizens that we are a
19 Crown corporation. They are -- they have their
20 generation distribution and transmission and they are
21 keeping it a Crown corporation. Their rates are
22 basically -- I didn't read anywhere about this 2.2 and
23 2.6 in all of that blue book, that *Energy Plan for B.C.*
24 Now, that is very comparable to Quebec.

25 Now, if Quebec can do it, why can't we have
26 that in a Crown corporation forever? And besides, ten

1 years isn't enough for that Heritage Contract. Why
2 can't we keep it like Quebec?

3 MR. FUSSELL: A: As I said, I mean that's a political
4 decision. I can't help you with that. You'll have to
5 talk to somebody else about that.

6 MS. PARSONS: Q: Okay. I want to know about this
7 transmission. I'm interested in this.

8 MR. FUSSELL: A: I'm -- I can't help you with the BCTC. I
9 mean you'll have to -- I'm sorry. I'm not really here
10 to speak about BCTC.

11 MS. PARSONS: Q: No, it's in the Energy Plan. I think
12 it's --

13 MR. FUSSELL: A: And I'm not here to answer -- I'm not
14 here to deal with the Energy Plan. I'm only here to
15 deal with B.C. Hydro's proposal on the Heritage Contract
16 and the Stepped Rates. I'm not prepared --

17 MS. PARSONS: Q: Well, you did go into the Policy Action
18 Plans. I want to talk about --

19 MR. FUSSELL: A: I mentioned where the Policy Action
20 Plans, the derivation of the Heritage Contract and how
21 it flowed out of the Energy Plan.

22 MS. PARSONS: Q: Well, that's in my little blue book. I
23 just have it in my purse.

24 MR. FUSSELL: A: I'm sorry, I can't help you.

25 MS. PARSONS: Q: It's number 15. I want to know about
26 this RTO West, that B.C. Transmission Corporation is

1 part of RTO West which is a transmission corporation, I
2 gather, right across North America.

3 MR. FUSSELL: A: No.

4 MS. PARSONS: Q: And that's why I'm concerned.

5 MR. FUSSELL: A: First of all, RTO West isn't even formed
6 yet.

7 MS. PARSONS: Q: It is --

8 MR. FUSSELL: A: RTO West is only a concept.

9 MS. PARSONS: Q: I'm sorry, I brought it up on the -- from
10 BCUC, I brought it up on the computer and I have this
11 much of information on RTO West.

12 MR. FUSSELL: A: I don't -- there's way more information
13 than that, I assure you. There is probably stacks of
14 information on RTO West, but as a -- I don't know what
15 you would describe it, but it's simply a concept at this
16 level. There is no -- I mean there has been a number of
17 applications before FERC on RTO West.

18 MS. PARSONS: Q: Yes.

19 MR. FUSSELL: A: But there is no --

20 MS. PARSONS: Q: The American regulatory --

21 MR. FUSSELL: A: Yes.

22 MS. PARSONS: Q: Yes.

23 MR. FUSSELL: A: The Federal Energy Regulatory Commission.

24 MS. PARSONS: Q: Yes. Yes. Yes. I tried to find out
25 information. I tried to phone the Minister in the book,
26 okay, the Minister of that Department of Energy. And I

1 was told that he was no longer in charge of, you know,
2 the B.C. Utilities and I should go to Geoff Plant the
3 Attorney General, because I wanted to know why, and I'm
4 asking all of you -- and I'm asking you: Why the rush?
5 Why the rush? I saw this in the paper at the end of
6 April. All of a sudden here all these hearings are. I
7 don't understand anything. It took me a long time to
8 even understand the concept of all of this. And all of
9 a sudden, right away, you know, it has to be on the desk
10 in October 17th and then right way in 2004 there's going
11 to be these new rates.

12 Okay, now when I read RTO West -- it's in our
13 *Energy Plan* book, the blue book, that blue book over
14 there -- it has the same rate schedule. In 2004 they
15 want to set their tariff, which I guess is rates -- it
16 means the same thing, tariff and rate -- and in 2006
17 they want to be fully operational. Well, that is
18 basically the same schedule as this B.C. Hydro. I don't
19 see any difference.

20 I read and read and read until I could hardly
21 see because I couldn't understand it, and when I did
22 understand it, I got so depressed it took me a day to
23 get over it, because I thought, "Oh, my gosh, what is
24 going on here? We aren't going to have a Crown
25 corporation." I got worried. Because I am on a fixed
26 income.

1 Like I don't want to worry -- like what
2 happened in California. My gosh. You know, they had
3 power outages because they played games on the stock
4 market. I don't know what gaming is, market gaming,
5 they said, and they had to shut down in areas for two
6 days. Is that what is going to happen to me? Like my
7 fridge and my freezer is going to thaw? And do I have
8 to start buying like a wood stove for heat? Like what
9 is happening here?

10 MR. FUSSELL: A: I would hope not. I mean basically what
11 B.C. Hydro is proposing within the Heritage Contract has
12 been constructed to continue to provide reliable
13 service, the same as you've seen in the past, and I
14 think our proposal, as I suggested within the Heritage
15 Contract submission that it will -- it's intended to be
16 designed to continue with reliable service and to
17 optimize the system going forward, to allow optimization
18 of the system going forward. The result would be the
19 sort of least cost rate impact on domestic customers.
20 I'm not suggesting there wouldn't be some rate impact,
21 but I mean if it's accepted I think it would result in a
22 least cost impact.

23 MS. PARSONS: Q: I hear what you are saying. But if you
24 could guarantee, like in Quebec, that it's going to be a
25 Crown corporation held together as a group, you know,
26 all together, linked together to our Heritage Contract,

1 our supply, our generation, I would agree with you. But
2 you are saying to me today that you can't guarantee
3 that, I have to go to the government.

4 MR. FUSSELL: A: Well, it's a political decision. The
5 whole Energy Plan was a political decision.

6 MS. PARSONS: Q: Yes, that's what you are saying. Yes, so
7 you can't really --

8 MR. FUSSELL: A: No.

9 MS. PARSONS: Q: All this here is you can't guarantee
10 anything. If like Quebec you can't guarantee to our
11 people in B.C. like the Quebec government has to their
12 citizens -- this is just a concept, this is a dream, and
13 I am newly retired on a fixed income. I get a pension.
14 I can't have what happened in California, and to this
15 day in Ontario, what's happening there is there's a
16 shortfall between the rate of 4.2 cents and 86.8 cents
17 that the government is paying, and that shortfall will
18 be picked up out of the taxpayer's pocket, like, of
19 Ontario.

20 Now, I can't have those concepts, to worry
21 about that: What do I do? What do I do? Like do I
22 have to start buying lanterns? Like if you can't
23 guarantee that B.C. Hydro will remain a Heritage -- like
24 a Crown corporation for the length of contract, even for
25 that length, I think this is all redundant what we are
26 talking about.

1 THE CHAIRPERSON: Ms. Parsons, Mr. Fussell has answered
2 your question. I note that later this morning you're
3 going to have an opportunity to make a presentation to
4 the panel. I'd suggest that you wait until then.

5 MS. PARSONS: Okay. I can't change what is, right?

6 THE CHAIRPERSON: You'll have an opportunity to make a
7 presentation later.

8 MS. PARSONS: Q: Okay, I know that. I can't change, but I
9 can voice my feelings, right?

10 THE CHAIRPERSON: Yes, and we're going to give you an
11 opportunity to do that.

12 MS. PARSONS: Q: No, but right now is my chance to ask --
13 this is B.C. Hydro right here, right?

14 THE CHAIRPERSON: You've asked that questions, it's been
15 answered for you.

16 MS. PARSONS: Q: Okay.

17 THE CHAIRPERSON: If you wish to make a presentation we're
18 going to give you an opportunity to do that.

19 MS. PARSONS: Q: I'm sorry, this is my first time and I
20 guess what I'm trying to ask him is to -- well, I think
21 what I'm asking him is: How can I, as a citizen, make
22 sure that B.C. Hydro and the generation distribution
23 transmission is kept as a Crown corporation? How can I
24 go, starting today, to make that happen? I'm asking you
25 that.

26 THE CHAIRPERSON: Ms. Parsons, that question has been

1 asked and answered.

2 MS. PARSONS: I didn't get the answer, I'm sorry. Will you
3 tell me the answer?

4 THE CHAIRPERSON: You didn't get the answer that you were
5 expecting, but Mr. Fussell has answered the question.
6 I'll give Mr. Fussell a chance to give you the same
7 answer that he gave earlier if you wish.

8 MS. PARSONS: Q: Okay, I'll try to get that -- I just want
9 a road, a road to go down from this minute on.

10 THE CHAIRPERSON: I'm trying to do that for you. Mr.
11 Fussell has answered your question. My suggestion to
12 you is wait until you have an opportunity to make a
13 presentation to the panel to pursue your thoughts with
14 respect to that. But if you wish Mr. Fussell to answer
15 your question again --

16 MS. PARSONS: Would he? Maybe I didn't hear it. Obviously
17 I didn't hear it.

18 THE CHAIRPERSON: Okay.

19 MS. PARSONS: Thank you.

20 THE CHAIRPERSON: All right.

21 MR. FUSSELL: A: I mean, the provincial government set out
22 the Energy Plan. We are here to try to implement that
23 Energy Plan. I think your questions, primarily, are
24 with respect to why that Energy Plan, and I can't help
25 you. I mean that is purely a -- you know, the
26 government has made that decision so I think you would

1 have to take those questions up with somebody within the
2 government. I don't know.

3 MS. PARSONS: Q: I guess you couldn't answer the time
4 frame, the window of opportunity here?

5 MR. FUSSELL: A: The time frame set out within the
6 Heritage Contract is for a ten-year period.

7 MS. PARSONS: Q: No, no, I'm not talking about that. I'm
8 talking about the Crown corporation thing that I'm
9 worried about. The window there, you don't know?

10 MR. FUSSELL: A: I'm not sure I --

11 MS. PARSONS: Q: Well, how long do I have to work on this?
12 Like do I have until 2004, 2005, 2006?

13 MR. FUSSELL: A: Well, presently both the B.C. Hydro
14 generation and distribution facilities will continue to
15 be part of the B.C. Hydro Crown corporation and they
16 will be fully regulated by the B.C. Utilities
17 Commission. BCTC is going to be a separate Crown
18 corporation. They don't own the transmission
19 facilities, B.C. Hydro still owns the facilities. BCTC
20 will operate and manage those facilities. They are also
21 a Crown corporation and they are also to be regulated by
22 this Commission.

23 So with respect to a Crown corporation, all
24 the facilities that B.C. Hydro presently owns and
25 operates will continue to be part of the Crown, Crown
26 corporations, one being the B.C. Hydro Crown corporation

1 and one being the B.C. Transmission Crown corporation.

2 MS. PARSONS: Q: For how long?

3 MR. FUSSELL: A: Well, as I said, the Heritage Contract is

4 set out for ten years. There's nothing within the

5 Energy Plan that says, that suggests in any way, that

6 I've ever read that suggests that B.C. Hydro or the BCTC

7 will not be Crowns in the future. Now, that can change,

8 but I mean that's -- certainly there's nothing in the

9 Energy Plan to suggest that there's any plans to change

10 them.

11 MS. PARSONS: Q: I read that, too. I read that, too.

12 MR. FUSSELL: A: That's as much as I know.

13 MS. PARSONS: Q: But then, because of the way it's

14 going, I got different ideas after reading the book and

15 going into the internet from information. Okay? Thank

16 you.

17 MR. FUSSELL: A: Thank you.

18 THE CHAIRPERSON: Thank you.

19 MR. FULTON: Are there any other questions from the floor

20 for Mr. Fussell?

21 All right, I have another questioner. Just

22 to follow up on the comments that you made, Mr.

23 Chairman, about the opportunity to make a submission to

24 the Commission. The Commission did circulate a

25 procedural letter and it had a number of questions that

26 it posed that people might ask of the Commission in

1 terms of understanding the procedure. And I just -- I
2 think it might be helpful if I just refer to one
3 question, at page 6 which asks:

4 "What is the difference between cross-
5 examination and argument?"

6 "The purpose of cross-examination is to test
7 the evidence of the witnesses who are
8 testifying. This means the witnesses can be
9 asked questions on their evidence and be
10 challenged on its strength and veracity.
11 Argument comes at the end of the hearing. The
12 purpose of argument is to present your views
13 and opinions on the evidence to the Commission
14 panel after the panel has heard all of the
15 evidence. Therefore your personal views,
16 opinions, and interpretation of filed evidence
17 should be saved for the argument phase of the
18 hearing."

19 And I would extract that to apply to the oral
20 presentation stage as well. People who make oral
21 presentations, of course, can make argument at the end
22 of the day, but the purpose of cross-examination is to
23 ask questions and elicit answers and not to the extent
24 that you can include your argument in those questions.

25 THE CHAIRPERSON: Thank you, Mr. Fulton.

26 MR. FULTON: Sometimes it's difficult to follow that,

1 particularly for people who are not used to the system,
2 but I'm hoping that that will be helpful for those who
3 follow Ms. Parsons in terms of answering questions -- or
4 asking questions.

5 THE CHAIRPERSON: Thank you.

6 **CROSS-EXAMINATION BY MR. SECORD:**

7 MR. SECORD: Q: Gilbert Secord is my name. I live at
8 Peachland, British Columbia. I am a member of, a
9 director of the Kootenay Okanagan Electric Consumers
10 Association. I have quite a few questions I'd like to
11 direct -- I might be out of order. If I am, please say
12 so.

13 On page 11 of your summary in the Energy
14 Plan, I'm directing this to B.C. Hydro, you say the
15 Heritage Contract energy supply obligation of 49,000
16 gigawatt hours per year, is that an amount of energy
17 that is now being used by the B.C. consumers?

18 MR. FUSSELL: A: No, B.C. Hydro's load is a little bit in
19 excess of 49,000. It's approximately, I think, the last
20 time I think it was approximately 52,000 gWh.

21 MR. SECORD: Q: And what are they capable of supplying?
22 B.C. Hydro's own facilities, what are they capable of
23 supplying?

24 MR. FUSSELL: A: I'm not sure exactly. When you say
25 "capable of supplying", I mean, if we were to sort of
26 run Burrard thermal flat out under average water

1 conditions, it would be something in the order of 50,000
2 gWh.

3 MR. SECORD: Q: Okay, what is B.C. Hydro doing regarding
4 planning for additional generation? Now, I may be --
5 I've read this book, I was also a part of Dr. Jaccard's
6 British Columbia Task Force on Electricity Market Reform
7 and I have a copy here of his final report, and what he
8 has done here, what he has said here which was not --
9 which was not sanctioned by any of the stakeholders that
10 attended these hearings, and there was some 17
11 stakeholders, none of them endorsed this report. Now,
12 our provincial government has come along and recycled
13 this report into, electrically, into this Energy Report.
14 And what that Energy Report is telling me is that B.C.
15 Hydro cannot develop any more generation facilities.

16 MR. FUSSELL: A: That's generally what's said in the
17 Energy Policy, yes.

18 MR. SECORD: Q: So as I see it, within five years we, in
19 British Columbia, are going to be in the same position
20 as California was two years ago unless we are prepared
21 to pay the price, the market price whatever that happens
22 to be at the time.

23 MR. FUSSELL: A: I don't think that follows. I mean what
24 the Energy Plan says is that B.C. Hydro when it needs
25 additional resources will have to buy those resources
26 from private developers. And so effectively you would

1 have the revenue requirement associated with the
2 Heritage Resources which are based on the same -- are
3 set the same as you have today, and added to that you
4 would have the additional cost of new resources, and
5 depending on how those costs are allocated through
6 rates, if they were all averaged together for example,
7 the rate will go up, but it certainly isn't going to
8 approach anything like you've seen in California where
9 you had retail access and the rates were set, all the
10 rates and all the costs associated with generation were
11 set at a market price. It will be quite different from
12 that.

13 MR. SECORD: Q: How can you guarantee that?

14 MR. FUSSELL: A: Well, that's what is set out in the
15 Energy Plan for at least the next ten years. I can't do
16 any more --

17 MR. SECORD: Q: Yes, it is, but the other question I ask
18 you, is you have 49,000 gigawatt hours that you are
19 going to -- will be part of the Heritage Contract, five
20 years from now if that increases to 59,000 gigawatt
21 hours, we are going to be on the open market buying that
22 extra ten gigawatts unless B.C. Hydro starts developing
23 some more of their own facility. B.C. Hydro is owned by
24 the people of British Columbia and most definitely
25 should be planning their additional generation
26 requirements into the future, and not be looking to rely

1 on another source of energy.

2 MR. FUSSELL: A: Well, again, I can't really comment on

3 that. All I can comment on is -- I mean, my only

4 comment is that that's what is set out in the Energy

5 plan is that B.C. Hydro is not to develop its own

6 resources. It is to buy those resources from private

7 developers.

8 MR. SECORD: Q: Okay, that's generation of electricity.

9 MR. FUSSELL: A: That's for additional generation

10 resources.

11 MR. SECORD: Q: Well, let's move onto transmission then.

12 MR. FUSSELL: A: Yes.

13 MR. SECORD: Q: Who is going to be responsible for

14 installing any new transmission that is required?

15 MR. FUSSELL: A: That, the actual planning of the

16 transmission facilities will be undertaken by the B.C.

17 Transmission Corporation.

18 MR. SECORD: Q: And they will also be required to provide

19 access to the IPPs, the Independent Power Producers.

20 MR. FUSSELL: A: The IPPs already have access.

21 MR. SECORD: Q: Okay, but they are being -- they are being

22 asked to build new generation. They have said that they

23 will build new generation.

24 MR. FUSSELL: A: I guess. I don't know. I mean that

25 would seem to be a reasonable assumption given the

26 energy plan.

1 MR. SECORD: Q: During the election they were prepared to
2 put up 2 billion -- or a billion dollars worth of
3 construction money for new generation. That was my
4 understanding and I stand corrected on that.

5 But if that is the case, they are going to
6 want to access to put that energy into the system, and
7 if they are paying 10 cents a kilowatt in California,
8 you can rest assured we are going to be paying 10 cents
9 a kilowatt for that energy here which is over and above
10 our requirements of 49,000 gigawatt hours per year.

11 MR. FUSSELL: A: I think that would depend on the basis
12 that B.C. Hydro were to buy that energy. I mean
13 effectively if B.C. Hydro went out for an RFP, for a
14 request for proposals from various IPPs in order to buy
15 some additional energy, they would become -- I mean we
16 would be basically buying, I presume, from the least
17 cost proposals, and certainly at the moment we wouldn't
18 be expecting that cost to be in the order of ten cents.
19 It's probably more like in the order of 6 and a half
20 cents, 7 cents, something in that order.

21 MR. SECORD: Q: In the past, the rates in the Pacific
22 Northwest have been set at COB, which is the California
23 Oregon Border, and that's where California got into a
24 big problem.

25 MR. FUSSELL: A: When you say "rates" certainly B.C.
26 Hydro's rates haven't been set based on COB.

1 MR. SECORD: Q: No, but if you are buying electricity on
2 the open market, those rates are set at COB.

3 MR. FUSSELL: A: COB is a trading centre for the Pacific
4 Northwest.

5 MR. SECORD: Q: Yes.

6 MR. FUSSELL: A: For the wholesale electricity market, I
7 agree.

8 MR. SECORD: Q: And if we run out of power and we don't
9 have any, we have to got to COB to buy it, we are going
10 to be paying COB's price, if that's ten cents, twenty
11 cents, whatever it is for a kilowatt hour.

12 MR. FUSSELL: A: And at the moment the average price over
13 the last year was probably about 5 cents at COB.

14 MR. SECORD: Q: Okay.

15 MR. FUSSELL: A: I mean, the market varies, has varied in
16 the past quite dramatically, I agree. You know, two
17 years ago when you were in California the costs were up
18 in the order of 15, you know, to 30 cents a kilowatt
19 hour.

20 MR. SECORD: Q: Well, all I can say at this point in time
21 is from our organization's perspective, is that we see
22 British Columbia in the same position as California was
23 two years ago within five years and maybe less than
24 that.

25 MR. FUSSELL: A: Well, certainly there's nothing in the
26 Energy Plan that suggests that there's going to be

1 general retail access and that prices are going to move
2 towards market prices. There's nothing in that that I
3 see suggests that.

4 MR. SECORD: Q: Yes, but if you own a generation plant,
5 you are going to sell that energy to the place where you
6 can get the best price for energy, are you not? I'm not
7 talking about you as an individual --

8 MR. FUSSELL: A: As an IPP.

9 MR. SECORD: Q: Yes.

10 MR. FUSSELL: A: If I were an IPP. Certainly I'll sell it
11 to the best price but if I come forward and under
12 contract to B.C. Hydro that commits the output of that
13 plant to B.C. Hydro at a fixed price, over the period of
14 the contract, then they are not free to sell it at the
15 highest market price. They have to sell it to B.C.
16 Hydro under the terms of the contract.

17 And for example, our recent RFPs with respect
18 to, I think, customer based generation were in the order
19 of 5.5 cents to 6 cents and those generators are now
20 under obligation to provide B.C. Hydro the full output
21 of those plants at that price, in spite of the fact that
22 maybe a year from now the COB price may be ten, eleven,
23 twelve cents.

24 MR. SECORD: Q: How many contracts do you have with IPPs
25 to provide you with a fixed rate for power?

26 MR. FUSSELL: A: All of them that we purchase are on a

1 fixed rate basis.

2 MR. SECORD: Q: For how long?

3 MR. FUSSELL: A: Somewhere between ten and twenty years,
4 I'm not sure of the exact -- that familiar with all the
5 contracts but they vary in that term.

6 MR. SECORD: Q: Okay. For this part of the questioning I
7 haven't got anything more to say other than the fact
8 that what I've said. I believe the people of British
9 Columbia should wake up to the fact that what's happened
10 in California can happen here. And I'll ask some more
11 questions of the Commission later. Thank you.

12 MR. FUSSELL: A: Thank you.

13 THE CHAIRPERSON: Mr. Secord, I noted that you haven't
14 made a request of Commission counsel to make a
15 presentation.

16 MR. SECORD: No, I haven't.

17 THE CHAIRPERSON: Would you like that opportunity?

18 MR. SECORD: I don't have a prepared presentation, I could
19 only talk off the top of my head, but it would be about
20 these two items here, one is the Jaccard report and the
21 other is the Energy Plan.

22 THE CHAIRPERSON: Well, I'd like to provide that
23 opportunity to you if you wish to take it.
24 Alternatively if you would prefer, you can make
25 submissions to the panel in the form of an argument if
26 you wish at the end of the proceedings. So whatever

1 your preference is.

2 MR. SECORD: Okay, well, I'll -- I definitely want to say
3 something about this. I know I'm talking to the wrong
4 people. The people that made this -- the people that
5 made these decisions are in Victoria and unfortunately I
6 don't believe they understand what they have done.
7 However I'm going to speak to it anyways, and I believe
8 that the people here should understand.

9 THE CHAIRPERSON: So I'll leave my invitation with you,
10 and you may -- you can come back to the mike at any
11 point and let me know what your preference is.

12 MR. SECORD: Okay.

13 THE CHAIRPERSON: Thank you.

14 MR. FULTON: Mr. Secord had mentioned that that was his
15 questions for Mr. Fussell, but he did have questions for
16 the Commission and I just wanted the floor to know that
17 the Commission doesn't answer questions in these
18 proceedings. It's the proponent's application and the
19 proponent who is to answer questions or intervenors
20 making presentations.

21 THE CHAIRPERSON: Thank you.

22 MR. FULTON: Are there any other questions from the floor
23 for Mr. Fussell?

24 There are no further questions of Mr.
25 Fussell, Mr. Chairman.

26 THE CHAIRPERSON: You may be excused, thank you.

1 (WITNESS ASIDE)

2 MR. FULTON: The next presentation, Mr. Chairman, will be
3 from Highland Valley Copper, and the speaker will be Mr.
4 Dal Scott, who is the superintendent of mill engineering
5 for Highland Valley Copper. Mr. Scott has a
6 presentation and I will distribute that now. I've
7 provided the Hearing Officer with a copy for marking as
8 an exhibit. I have copies for the panel, and I will
9 pass back copies to the rest of the room.

10 And there are a limited number of coloured
11 copies, so people will need to sort out who has the
12 coloured copies and who has the black and white.

13 THE CHAIRPERSON: Sounds like a good responsibility for
14 the Hearing Officer.

15 MR. FULTON: Right. Mr. Scott, do you wish to be sworn or
16 not?

17 MR. SCOTT: I don't know what's customary in one of these
18 proceedings.

19 MR. FULTON: Well, we do prefer people to be sworn if they
20 wish so --

21 MR. SCOTT: Okay, I'll be sworn.

22 **DAL SCOTT, Affirmed:**

23 MR. FULTON: Mr. Scott, you are the superintendent of mill
24 engineering of Highland Valley Copper.

25 MR. SCOTT: A: That is correct.

26 MR. FULTON: And as I understand it, Highland Valley Copper

1 is part of the Joint Industry Electricity Steering
2 Committee?

3 MR. SCOTT: A: That's right.

4 MR. FULTON: You are here today though speaking on behalf
5 of Highland Valley.

6 MR. SCOTT: A: That's right.

7 MR. FULTON: You have a presentation that you wish to make
8 to the Commission?

9 MR. SCOTT: A: Yes, I do.

10 MR. FULTON: Would you proceed with that presentation then
11 please.

12 MR. SCOTT: A: Thank you very much.

13 **EVIDENCE IN CHIEF:**

14 MR. SCOTT: A: I'd like to thank the Commission for the
15 opportunity to speak today. Highland Valley is in the
16 Thompson Okanagan Kootenay part of the province so we
17 thought that it would be appropriate to make a
18 presentation today to describe our operation, to show
19 that we are large user of electricity and to indicate
20 that we support the position of the Joint Industry
21 Steering Committee as will be presented in the hearings
22 in Vancouver.

23 So that I would hope that at the end of the
24 presentation today the Commission and the people that
25 are here today have a little bit better understanding of
26 who Highland Valley Copper is and how electricity prices

1 influence us. And that we have been a consumer, or a
2 conserver of electricity over the past 30 years and have
3 reduced our electrical consumption accordingly.

4 I'd like to talk to the slides as shown on
5 what we've given to you. We produced them yesterday
6 afternoon. We had one cartridge in my office so we did
7 as many colour copies as we could, and if you have a
8 colour copy, fine. But unfortunately we didn't have any
9 more cartridges.

10 Highland Valley Copper is a large open-pit
11 mining operation located near Kamloops in the south
12 central British Columbia. We are B.C. Hydro's fourth
13 largest industrial customer on Rate Schedule 1821. We
14 are the largest copper mine in Canada. We have 946
15 people that work directly for the operation. They live
16 in Kamloops, Logan Lake, Ashcroft, Cache Creek and
17 Merritt.

18 We've had total revenues last year of 360
19 million. This is lower than normal because copper
20 prices in the last few years have, on real terms, been
21 lower than the price copper was back in 1929 or the '30s
22 and the last major depression.

23 The current mine life is to mid-2009 with a
24 possible extension to the end of 2012, but the extension
25 isn't viable at current copper prices.

26 The next line shows the economic impact of

1 our operation. We spend \$260 million at our operation,
2 and it includes a \$76 million payroll to people that
3 live in Kamloops, Logan Lake, Ashcroft, and Merritt. We
4 paid last year about \$50 million taxes to three levels
5 of government. This will drop in the future. The taxes
6 to the provincial government will drop maybe \$10 million
7 this year, and we are very appreciative of that.

8 Our capital expenditures last year were about
9 \$20 million and we spent \$20 million hauling our
10 concentrate to Ashcroft by truck and by train to
11 Vancouver to the Vancouver Wharves to our terminal where
12 we store the concentrate and load it on ships.

13 One of our capital expenditures last year,
14 our contract with Vancouver Wharves, if they have to
15 improve their facilities to meet new environmental
16 standards, we have to pay those costs and we've -- last
17 year and this year, were spending \$7.2 million in the
18 City of Vancouver to upgrade Vancouver Wharves
19 concentrate handling facilities so the dust can't escape
20 from their facilities.

21 The total of those costs here in B.C. are
22 \$300 million and the overall economic impact on the
23 province of a 2 and a half multiplier is about three-
24 quarters of a billion dollars a year.

25 On the next line we indicate that electricity
26 cost is 14 percent of our operating costs. Last year we

1 spent \$37 million on electricity including the
2 provincial sales tax of 7 and a half percent. That's
3 charged to industrial customers that residential
4 customers don't see.

5 The next slide shows our energy consumption
6 and production during the last six years, and this slide
7 is to show that our overall demand in energy consumption
8 has gone down since 1997 and our production has gone up
9 significantly.

10 On the column on demand at peak at 2000 at
11 128 MVA and in 2002 it has fallen to 124.3. That may be
12 partly due to the weather in that we have large overland
13 conveyor systems that have one inch thick conveyors that
14 when it's 40 below it uses a lot of horsepower to bend
15 those conveyors around the pulleys, and we've had two
16 warm winters in the last two years. So part of the
17 reason the demand has come down on an average for the
18 whole year was we had two relatively mild winters in the
19 last two years.

20 In energy consumption, we peaked at 162
21 gigawatt hours a year. That's 162 million kilowatt
22 hours. But our throughput has increased from 1996 from
23 116,000 tonnes a day up to 136,600 so that our
24 production has gone up during those years.

25 We have also indicated on the right-hand side
26 of the page that we were down for four months in 1999.

1 Our place became uneconomic. We worked with the job
2 Protection Commission and it took four months for the
3 people who worked at our mine to agree that they wanted
4 to agree to the terms of the Job Protection Commission
5 before we started up again.

6 In 2000 and 2001 we had our two older mill
7 lines down where we replaced the mills, and the
8 electrical equipment that drives the mills, the MCC
9 equipment, because they were 30 years old and we wanted
10 reliable equipment to the end of mine life, so we
11 disassembled the mills and replaced them with new parts,
12 and we replaced all our electrical motor control
13 equipment at the same time. So when Colin, as he got
14 into the detail in his spiel today on CBLs, we would
15 expect that the time when these mills were done were
16 anomalies that wouldn't be adjusted as the CBL is
17 determined for industrial customers per their proposal
18 for B.C. Hydro.

19 The next slide shows that our productivity
20 has increased with time. As the price of copper has
21 gone down, we've worked hard to remain competitive and
22 we've been able to do so at current electricity prices.

23 When the provincial government first started
24 looking with their electrical policy research committee,
25 they were talking about doubling the price of power here
26 in B.C. and were that to happen, we wouldn't be here,

1 and the three-quarters of a billion dollars worth of
2 economic activity that flows to this province through
3 B.C. Hydro wouldn't be here today either.

4 The next slide shows a comparison of mill
5 throughput, mill availability. You can see with time
6 partly because we put in new mills in the A and B line,
7 the up time on our mills, or the availability of our
8 mills, has increased with time from 91.5 up to 94.22
9 percent. We are running our facilities longer and more
10 efficiently, partly because the mills are working more
11 of the time, and our kilowatt hour per tonne
12 consumption, our energy intensity has dropped during
13 this period of time from 22 and a half to 19.66 to
14 19.04, the bottom line on this chart.

15 Our electrical load factor in 2002 was 87.3
16 percent. We are a high load factor customer. We are a
17 good customer for B.C. Hydro. The wires, the
18 transformers and the generators that feed us are running
19 87 percent of the time compared to 65 percent for other
20 rate classes.

21 The next slide shows power consumption
22 intensity. In 1973 when Lornex was built, one of our
23 larger predecessor operations, we used power, at the
24 bottom of that chart, of 28.82 kilowatt hours per tonne.
25 By 2000 it dropped to 19.28 and by 2002 it dropped
26 further to 19.03. It's an indication that our mine has

1 become considerably more efficient at using the
2 electricity over time through energy conservation
3 projects, the first of which was done in 1973, the year
4 after Lornex Mining Corporation started business in the
5 Highland Valley.

6 We've been mining copper, or our predecessors
7 who are members of the partnership started mining in
8 Highland Valley in 1962 which was the year that B.C.
9 Hydro was formed. So we've been in business producing
10 wealth for the province of British Columbia as long as
11 B.C. Hydro has.

12 You'll note that, the third line down in
13 "Crushers and Conveyors" the energy intensity in that
14 area increased with time. We spent \$150 million
15 installing an in pit crushing and conveying system that
16 pulls the ore out of the valley pit to our mills and as
17 the pit got deeper and as time went on we used more
18 energy in the crushing and conveying system. In doing
19 so we were able to cut the number of trucks we used in
20 half and cut our diesel consumption in half from about
21 32 million litres a year down to the order of 16 million
22 litres a year.

23 This figure doesn't work out, or we can't
24 claim this under the Kyoto Protocol because we did this
25 two years earlier than the protocol kicked in. But I'm
26 just trying to indicate that as a large industrial

1 customer, energy conservation and the use of energy is
2 very important to us. If we hadn't done the steps that
3 we've done in the past, we wouldn't be here today.

4 The next line just shows an overall view
5 which doesn't really show up very good here. About two
6 years ago or in 2001 we looped our reclaimed water line
7 from our tailings pond back to our mill where we
8 installed 2.6 kilometres of 42-inch pipe. The next
9 slide shows a picture of the pipe being installed. It's
10 a large pipeline that's a similar size to Westcoast
11 Transmission or gas lines out on the flat lands use.
12 The pipe you see there is pipe that was left over from a
13 gas pipeline project in Epsco's yard so we were able to
14 buy it a good price.

15 The project cost 2.9 million to install,
16 there was 2.6 kilometres of pipe. It was made possible
17 by a \$.9 million Power Smart incentive grant by B.C.
18 Hydro. It was a good project. It was installed on
19 schedule or ahead of schedule, within budget. The head
20 losses were slightly better than projected.

21 The projected power savings in that area were
22 20 gigawatt hours a year. Our actual savings last year
23 when combined with a couple of other Power Smart -- or
24 not Power Smart projects, but energy efficiency projects
25 that the mine did itself, resulted in 36.7 gigawatt
26 hours a year in savings in 2002.

1 And I just wanted to make the point that as a
2 large industrial customer, we look at energy very
3 importantly and we spend money in a manner to save
4 power. And that was before the Energy Plan was
5 implemented.

6 On the next two slides we'd like to show you
7 a couple of further potential uses that we can make at
8 the mine so that the Commission is aware of them.

9 The dam that you see in the foreground there
10 is our lower tailings dam, the LL dam. It's probably
11 the third largest dam in the province, it's not quite as
12 high as the Portage Mountain dam, WAC Bennett dam, but
13 it probably has more material in it. We use it to store
14 reclaimed water that's recycled to our milling
15 operation. And at the top of the hill in the distance
16 you can see a light spot which is a raw water reservoir.
17 We pump water from the tailings pond to the reservoir
18 where it flows by gravity back to our milling operation,
19 and we have storage in both places. And we have 20,000
20 horsepower pumping in the system that pumps from the
21 tailings pond to the reservoir.

22 Those 20,000 horsepower can be used for 16
23 megawatts of demand management potential for PDC type
24 programs that Hydro have had in the past.

25 We've extended our ethernet system from the
26 mill down to the dam. We have supervisory control and

1 data acquisition computers tracking instantaneously
2 what's going on in this area, and there's potential to
3 provide 16 megawatts of spending reserve to B.C. Hydro
4 should they want to use their hydraulic turbines and
5 their dams to produce power, instead of just spinning
6 reserve. So there is that potential there.

7 And we also have potential to shift 20
8 megawatts from peak periods during the day to off-peak
9 periods at night if time of use rates are introduced.

10 So we just wanted to indicate that those are
11 real things that can be done should B.C. Hydro take the
12 opportunity to create rates in the future to accomplish
13 those types of things.

14 We are using the same slide again where we
15 indicate that we have a 12,000 horsepower pump house on
16 the Thompson River that pumps against 3,000 feet of head
17 or 900 metres of head against a .5 metre pipeline. We
18 have a dam, a reservoir, a penstock, and a pump house or
19 Pelton wheel facility that can be reconfigured with all
20 the physical elements in place, except the Pelton
21 wheels, to provide a high head pump storage facility
22 that could be used in the future for people here in B.C.
23 All that's required is the regulatory environment that
24 will allow it to happen. They physical assets are
25 there, the pumphouse is tied in a 10 MVA sub to B.C.
26 Hydro's 138 kV powerline, so there is no connection

1 charges needed or facilities needed, it's all there just
2 waiting to happen.

3 So in conclusion, I'd like to indicate that
4 we've been actively involved in energy conservation
5 projects since 1973 and continue to be actively
6 involved. We have a number of projects that we are
7 working on this year. We've had good experience working
8 with current B.C. Hydro industrial Power Smart incentive
9 program. When Hydro was talking about using a shopping
10 credit we indicated that we were opposed to that
11 approach because we think that their existing Power
12 Smart incentive program works good.

13 We believe that rates are blunt instruments;
14 that targetted Power Smart, customer-based generation
15 programs and IPP programs can make things happen in
16 times of capital constraint where even their second tier
17 rate won't work.

18 We are currently installing metal halide
19 lights in our pit service building. There is 199
20 lights. It's going to cost \$60,000 to install the metal
21 halide lights; they cost of \$500 each. And when we did
22 a discounted cash flow setup on those lights, we looked
23 at it at current rates and we said, "Well, if we are
24 buying power at a second tier and it was twice the
25 existing rates, which would be 7 cents a kilowatt hour,
26 it still wouldn't have made economic sense to install

1 the lights. But with the Power Smart grant it did. So
2 I just wanted to make that point.

3 We have the potential to install a small
4 hydro and pump storage scheme using existing facilities
5 without increasing our environmental impact at closure
6 of mining operations, and we would hope that by 2011
7 there would be open and equal access to low cost
8 opportunities to purchase power here in the province,
9 and open and equal access to opportunities to sell the
10 stored power at high prices when market opportunities
11 exist. And if that happens, then this power project
12 would happen.

13 We are an active member of the Joint Industry
14 Electricity Steering Committee. I chair the committee.
15 We strongly support the position taken by the Joint
16 Industry Electricity Steering Committee on Heritage
17 Contract, Stepped Rates and Access Principles, as will
18 be presented in the hearing. And we do not believe that
19 the second tier should be based on mid-Columbia market
20 prices which I understand was what Colin was saying
21 today, but it didn't come out that way in their
22 presentation. I think they were saying that it was
23 based on their cost of purchasing power, but I'm not
24 sure of that -- so.

25 I've read what's in their testimony before
26 the Commission and heard what was said today, and we

1 like the way Hydro is moving, but we don't think they
2 are quite there yet.

3 We believe that a two step rate in which the
4 first tier is set on the cost of Heritage hydro assets
5 and that the second tier is based on the current cost of
6 hydro thermal assets and the cost of all other
7 electricity provided by B.C. Hydro will provide rates
8 that provide the certainty, suitability and
9 predictability that industry needs and requires.

10 And that ends my presentation. I'd like to
11 thank you very much for the opportunity to make it.

12 MR. FULTON: Mr. Scott, do I take it, given your position
13 with the JIESC that you will be a member of the JIESC
14 panel in Vancouver?

15 MR. SCOTT: A: I will be at the hearings and we haven't
16 tied down exactly what the story will be there at this
17 time.

18 MR. FULTON: In Vancouver if people who are here today who
19 will be in Vancouver have questions of the presentation
20 that you've made today, I take it that you will be
21 available to answer those questions?

22 MR. SCOTT: A: Yes.

23 MR. FULTON: Mr. Chairman, if the presentation might be
24 marked Exhibit 34.

25 THE HEARING OFFICER: Marked Exhibit 34.

26 THE CHAIRPERSON: Thank you.

1 (PRESENTATION OF HIGHLAND VALLEY COPPER MINE BY MR. DAL
2 SCOTT MARKED EXHIBIT 34)

3 MR. FULTON: And if there are people here who will not be
4 in Vancouver who have questions of Mr. Scott, if they
5 would ask questions now. Does anyone from the floor
6 have a question?

7 Yes, sir, if you could come forward and
8 identify yourself for the record.

9 **CROSS-EXAMINATION BY MR. WALSH:**

10 MR. WALSH: Q: My name is Pearce Walsh and I'm a
11 consultant mostly working now in the deregulated
12 electricity market in Alberta. Mr. Scott, I've got a
13 question for you. It's my understanding that B.C.
14 Hydro's proposed Tier 2 rate is going to be based on
15 kind of a one-year market index which is as I understand
16 is going to be kind of a fixed forecast price for one
17 year ahead. And I just wondered, looking at some of
18 your power consumption, especially you talked about your
19 grinding operations which seemed to consume most of your
20 kilowatt hours per tonne, would it be preferable for
21 Highland Copper, if that Tier 2 rate was set on a more
22 real time market price based rate, you might have some
23 flexibility on your operating of your mine to shut down
24 some portions of the mine when the price went above a
25 kind of a pre-set level?

26 MR. SCOTT: A: We run our mine like an Overweightea Mega

1 Market. We are basing -- where it's based on volume
2 and when you start shutting facilities down due to high
3 market prices, the facility would rapidly become
4 uneconomic.

5 MR. WALSH: Q: Thank you.

6 MR. FULTON: Are there any other questions from the floor?

7 There are none, Mr. Chairman.

8 THE CHAIRPERSON: Thank you. The panel doesn't have any
9 questions, Mr. Scott, but I'd like to make this comment:
10 In Victoria we heard from Norske and in Prince George we
11 heard from Kemess Mines, and you've made a presentation
12 this morning, and as Chair of the JIESC, I would be
13 appreciative if you extended our appreciation to the
14 participants in the regional sessions. They have
15 improved the regional sessions and I think have been of
16 value to not only the Commission panel but the members
17 of the public who attended. So thank you very much for
18 taking the time to be here this morning, and we look
19 forward to seeing you in Vancouver.

20 MR. SCOTT: Thank you very much.

21 (WITNESS ASIDE)

22 MR. FULTON: Mr. Chairman, we are beyond the time that we
23 usually take our morning break. We have at least two
24 more presenters to come, and so I'm in your hands in
25 terms of what your wishes are in terms of proceeding or
26 taking a short recess.

1 THE CHAIRPERSON: My preference would -- excuse me. The
2 Commission panel would prefer to continue if that's fine
3 with the hearing officer and the court reporter? Okay.
4 We'll proceed.

5 MR. FULTON: Okay, then the next presenter is Mr. Rod Carle
6 who is with the Interior Municipal Electrical Utilities.
7 Mr. Carle.

8 **ROD CARLE, Affirmed:**

9 MR. FULTON: Mr. Carle, would you state your position with
10 the Interior Municipal Electrical Utilities?

11 MR. CARLE: A: Yes. I'm the current chairperson of the
12 Interior Municipal Electric Utilities, the IMEU,
13 currently the electric utility manager for the City of
14 Kelowna.

15 MR. FULTON: All right, and you are authorized this morning
16 to speak on behalf of the IMEU?

17 MR. CARLE: A: Yes, I am.

18 MR. FULTON: You have a presentation that you wish to make
19 to the Commission?

20 MR. CARLE: A: I have an oral submission, a few hard
21 copies but it was deemed to be oral to the transcript.
22 Thanks.

23 MR. FULTON: Thank you. If you then would like to proceed
24 with your presentation.

25 **EVIDENCE IN CHIEF:**

26 MR. CARLE: A: Thank you. Good morning, Mr. Chairman.

1 It's nice to see you back here in the Okanagan.
2 Commissioners Hall and Bradley, glad to see that you
3 could make down into our nice warm city this morning.

4 I'm here to represent the Interior Municipal
5 Electrical Utilities Group who is composed of the
6 electric utilities owned by the following
7 municipalities: The City of Kelowna, the City of Nelson
8 or Nelson Hydro, the City of Penticton, the City of
9 Grand Forks, the District of Summerland, and investor
10 owned Princeton Light & Power.

11 Collectively the IMEU serve over 250,000
12 citizens and have sales of approximately 850 gigawatt
13 hours to about 45,000 customers, providing revenues of
14 approximately \$50. The IMEU members who have been
15 long-time wholesale customers for 80 plus years,
16 contract with Aquila Networks Canada for their supply of
17 electricity. Part of Aquila's wholesale power contracts
18 with the municipalities are supplied by B.C. Hydro.

19 The customers served in our areas are
20 primarily residential and commercial. The IMEU members
21 have a long history of tradition of providing customers
22 with low cost reliable electricity and quality customer
23 service. The IMEU members are proud of the dedication
24 and commitment they have made to their customers. It is
25 with motivation, the IMEU group has undertaken to
26 present its views on the British Columbia Hydro and

1 Power Authority Stepped Rates and Access Principles
2 Inquiry to the BCUC Commission.

3 The IMEU have been present as an observer at
4 most of the Commission stakeholder inquiry workshops and
5 totally supports, as it always has with its power
6 provider Aquila, the regulatory oversight by the BCUC.
7 The IMEU do not wish to formally pursue the issues
8 before the Commission today, but only want to make the
9 Commission aware of its general comments prior to the
10 Commission's formal hearing process scheduled to be held
11 in Vancouver on July 29th.

12 Firstly the IMEU supports the Province of
13 British Columbia with the direction it is going with its
14 new Energy Plan. The IMEU agree with and support the
15 four cornerstones of the Energy Plan which are low
16 electricity rates and public ownership of B.C. Hydro,
17 secure reliable energy supply, more private sector
18 opportunities and environmental responsibility.

19 Secondly, the IMEU believe -- and there's
20 been limited discussion to date on this item, is the
21 length of the term for the Heritage Contract should be
22 considerably longer. We understand the terms of
23 reference suggested an initial minimum of ten years with
24 an automatic renewal. IMEU believe this Heritage Power
25 that belongs to all the paying customers of B.C., which
26 we are indirectly one of them, should somehow be more

1 assertively recognized. Therefore the IMEU believe this
2 entitlement of the low embedded cost of power should
3 always stay with the customers in perpetuity.

4 The IMEU recommend the initial term of the
5 contract, in order to preserve this entitlement right,
6 should be for a minimum of fifty years with no
7 termination period notice, and not the minimum ten years
8 as originally suggested. This guaranteed longer term
9 would alleviate any worries from paying customers or
10 ratepayers who may perceive that their entitlement may
11 be gone after the initial ten-year term.

12 As an observation on the processes to date,
13 the IMEU have reviewed the Commission and stakeholders'
14 public hearing issues list and recognize the Commission
15 does not have an easy task laid out before it.
16 Timelines are tight, and a number of issues are very
17 complex, as you've heard throughout some of the sessions
18 earlier today.

19 The IMEU supports Aquila's position that it
20 is a vertically integrated electric utility and one that
21 does have a hybrid relationship with B.C. Hydro. As you
22 are aware, Policy Action 21 clearly does focus on end
23 users, and these are people, who as a matter of policy,
24 ought to be given the opportunity to operate in an
25 economically efficient manner. As Dal has spoken
26 earlier, he's -- you know, these are the types of

1 customers that really want that opportunity and should
2 have that opportunity.

3 The IMEU understand B.C. Hydro has always
4 indicated to all its stakeholders and customers that all
5 they really want at the end of the day is for their
6 customers to have low-cost reliable electricity and good
7 customer service. The IMEU have a long tradition of
8 providing the same and would find it very hard not to
9 support any utility that wants a similar outcome.

10 As always, the IMEU want to thank the BCUC
11 and B.C. Hydro panel for allowing them to participate in
12 this Regional Energy Plan hearing. The IMEU hope any
13 general comments that they have put forward will be
14 passed onto the province, and the IMEU will continue to
15 observe throughout the formal hearing process, and if
16 any issues arise or cause concern, the IMEU will make a
17 full written submission argument adhering to the
18 Commission's regulatory timetable and schedule.

19 Respectfully submitted, from the IMEU, myself
20 Rod Carle. Thank you.

21 MR. FULTON: Thank you, Mr. Carle. Are there any questions
22 from the floor of Mr. Carle?

23 No questions from the floor, Mr. Chairman.

24 THE CHAIRPERSON: Thank you. Mr. Carle, I appreciate you
25 being here this morning. I know that we are in your
26 hometown, and it's great to have you here. And I'm also

1 looking forward to seeing you next week, assuming you're
2 are going to be their representative, IMEU is going to
3 be there. So the Commission panel does not have any
4 questions for you this morning, either. I do think that
5 your contributions will be very valuable, so if you
6 chose to submit argument, we certainly would be
7 appreciative of that. So thank you.

8 MR. CARLE: A: Thank you, Mr. Chairman.

9 MR. FULTON: Before you stand down, Mr. Carle, just so that
10 the record is complete, do I take it that you will be
11 available in Vancouver to answer questions on your
12 presentation today for those who are participating in
13 Vancouver and were not here today, or B.C. Hydro and
14 Commission staff for example whose main participation
15 will be in Vancouver?

16 MR. CARLE: A: Certainly I will be in Vancouver for the
17 first week. Second week is pending, depending on what
18 the schedule is, and if there is any need we would
19 certainly like to try and address any of those concerns
20 in the first week.

21 MR. FULTON: All right. So what I will do as Commission
22 counsel, Mr. Chairman, is ensure that Mr. Carle is
23 slotted into a time during the first week of the
24 proceedings so that if people have questions of him at
25 that time directed towards the position of the IMEU,
26 that those questions are asked next week.

1 THE CHAIRPERSON: Thank you. Mr. Carle, have you had an
2 opportunity to read the materials that were submitted by
3 the City of New West, Aquila, and there's a third --

4 MR. FULTON: UBC.

5 THE CHAIRPERSON: And UBC, thank you. They were filed
6 just in the last couple of days. Have you had an
7 opportunity to read those?

8 MR. CARLE: A: At about 8:05 this morning.

9 THE CHAIRPERSON: Okay.

10 MR. CARLE: A: I haven't had the opportunity and I do have
11 a copy with me and hopefully will go through some of
12 that stuff.

13 THE CHAIRPERSON: Okay, that's good to hear. And I
14 appreciate your comments, Mr. Fulton, with respect to
15 making -- giving Mr. Carle an opportunity to appear next
16 week, so thank you.

17 MR. CARLE: A: Thank you.

18 (WITNESS ASIDE)

19 MR. FULTON: The next scheduled presenter is Lila Parsons.
20 Ms. Parsons. Ms. Parsons has provided me with copies, a
21 written text of her presentation, Mr. Chairman, and I'll
22 ask the Hearing Officer to distribute that now.

23 Ms. Parsons, do you wish to be sworn?

24 MS. PARSONS: Yes, I do.

25 **LILA PARSONS, Affirmed:**

26 **EVIDENCE IN CHIEF:**

1 MS. PARSONS: A: My name is Lila Parsons, I live in
2 Penticton, and Rod Carle -- I didn't know that he was
3 for us, put it that way. This is my first time ever
4 doing anything like this, and I must say that I have
5 never, ever, ever gone through such stress as trying to
6 understand all of the enormous amounts of information.
7 And nobody, except for some poor souls like Rod Carle
8 and a few others that helped me when I phoned them and
9 begged them to help me, and of course the Commission --
10 I phoned Robert Pellatt, I'm sure -- is he here today?
11 -- probably daily. And had anybody instructed me or
12 told me, because I guess this has been going on for
13 years, that this energy book is where I should have
14 started. I should have read this and that would have
15 put me in the know. So I urge anybody out there from
16 B.C. Utilities Commission, they have a long distance
17 number, you can just get it from the panel here, get
18 this book and get books for your friends, because it
19 says everything in here, everything and more and you can
20 always, you know, get more copies.

21 Okay, I'm also glad that Mr. Carle said that
22 he would like the length of the Heritage Contract to be
23 in perpetuity or minimum maybe of 50 years. Because
24 this is our entitlement. And our entitlement goes way
25 way back to Premier Bennett and I remember as a child I
26 was -- my property, my family's property was in Fauquier,

1 B.C. and we were expropriated to -- at that time they
2 needed to flood so they took the property. So I've been
3 interested in this for a long time, and this is our
4 entitlement.

5 However, at the time that Mr. Bennett built
6 the dams, he sold the downstream benefits to the United
7 States. Now, remember this is my first time and I'm not
8 probably going to say everything properly. However, I
9 do know that these entitlements to the people of B.C.
10 were massive and they returned to us on April 1st, 2003.
11 Now, I feel, I feel that there should be more than
12 enough money from the sale of those entitlements added
13 to what we have already, to upgrade, do everything.
14 With B.C. Hydro they could generate new power, they
15 could do whatever they wanted to.

16 And I stated in my presentation -- sorry I
17 didn't have enough copies. I had talked to someone and
18 they said bring around ten, so I apologize for that. I
19 apologize for that because in the recent *Vancouver Sun*
20 it shows what happened in California. For those that
21 don't have a copy, businesses had to close because they
22 were on shutoff maybe for two days.

23 Now, with B.C. Hydro they have a switch.
24 Hydroelectricity is instant power, however, any other
25 generation takes at least 48 hours to kick in, and here,
26 on the second coloured picture is a bar owner that has

1 to use a propane lantern for her business. And just so
2 you know what happens. If you can't afford to pay the
3 power, you know, if the wholesale price of these
4 businesses, I'm sure, were supposed to, there isn't any
5 power. There's not enough power to go around if the
6 price is too high. If you can't afford it -- it's like
7 a car. If you can't afford to buy the car you don't
8 have the car, simple as that.

9 So anyways, I started with Policy Action
10 Number One. I did all of my presentation from this
11 book, except for RTO West. I added that at the end.
12 And I thank the committee for bearing with me, because
13 I've never done this before, and you know, if I go
14 wrong, I'm sure, you know, I will take it that, you
15 know, like you explained. The argument, I should have
16 saved that until the end. But I didn't know a question
17 from an argument. Okay? I didn't know the difference,
18 so I apologize for that. Okay?

19 Okay. Policy Action Number 1, page 26 of
20 this *Energy for our Future, a Plan for B.C.* is a
21 legislated Heritage Contract that -- this is right from
22 the book,

23 "...which will preserve the benefits of B.C.
24 Hydro's existing generation which will
25 essentially lock in the value of existing low
26 cost generation assets for an extended period

1 through legislation that specifies a term and
2 amount of energy involved. The contract's
3 term will be initially for ten years with
4 provisions for renewal thereafter..."

5 Well, the ten years, I wanted to be perpetuity or fifty,
6 and the "renewal thereafter", I worried about. If it
7 goes from a public Crown corporation to something else,
8 renewal thereafter, you know, is redundant. Well, it's
9 uncertain. I wanted the power to be certain.

10 Okay, it says here:

11 "...with provisions for renewal thereafter and
12 the quantity of energy will be the production
13 from B.C. Hydro system under average water
14 conditions."

15 Well, as you know, with the water, with the world -- you
16 know, it's called our "blue gold" and all the world is
17 wanting water, so I don't know how that's going to come
18 into it, if you know, the world trade or WTO, NAFTA --
19 there's so many names -- if they come in and take our
20 water, I don't know how that's going to affect these
21 dams.

22 It says:

23 "The B.C. Utilities Commission will review and
24 recommend the terms and conditions for the
25 Heritage Energy based on returns consistent
26 with private utilities."

1 So basically for ten years they were going to have
2 49,000, I think it's gigawatts. I'm not sure of that.
3 49,000 gigawatt hours. And I didn't realize it was
4 going to be for -- it is 2.2 cents, and I didn't know
5 that. I'm glad I heard that this morning from B.C.
6 Hydro.

7 I disagree, as I said, as I wanted it to be a
8 longer term. It should have been perpetuity. And in
9 this book, I did read about Quebec. Quebec, if this
10 book is right, they have a system where they are giving
11 their citizens for perpetuity, it didn't say any length
12 of time, and their rate was a fixed rate of 2.79 cents
13 per kilowatt hour and it can never go beyond that but it
14 can go below. And they have their Hydro Quebec
15 generation, they have their hydroelectric production and
16 distribution and transmission. So they are all together
17 and they are providing that for their citizens for the
18 Province of Quebec. And that's what I wanted, I wanted
19 that same opportunity for us in B.C.

20 Okay, I've got -- it said -- I've got in the
21 submission -- I'm not going to be reading all of this.
22 I've got -- I took a B.C. Utilities Commission reference
23 and it said that generally the Quebec model is viable
24 because a fixed supply obligation is set significantly
25 below the average capability of the Hydro Quebec system
26 and income from the sales surplus to that obligation is

1 all to the benefit of the shareholder.

2 Now, I don't know that much about this Quebec
3 system. Of course I have the use of the internet, my
4 daughter has a computer, and I will be looking into
5 that. Okay, so my response is, is that Hydro Quebec
6 system of regulated hydro generation, hydroelectric
7 Quebec power production and Hydro Quebec distribution
8 work together to supply low-cost generation which is
9 currently the lowest in North America.

10 The citizens of Quebec can relax that they
11 have a Crown corporation looking after their needs,
12 providing low electricity costs from the citizens own
13 hydroelectric resource endowment. I feel that Quebec is
14 on the right track. They are keeping hydro generation,
15 hydro distribution and hydro transmission together, and
16 under their provincial control, three Crown corporations
17 so that they can control the market price and be aware
18 of any market gaming by electric generation and
19 distribution companies. Moreover, the cost of
20 electricity in Ontario and in the State of California
21 was beyond the ability of their citizens to pay.

22 In the Province of Ontario the province pays
23 88.9 cents while the ratepayers pay 4.2 cents and that
24 will be a debt to the Province of Ontario. And of
25 course, the debt of the Province of Ontario, they are
26 made out of citizens like you and I, and of course the

1 taxpayers will have to pay for that.

2 The State of California also had a cap on
3 their rates, and the power generating and transmission
4 company's rates were too high through market gaming --
5 and that's the stock market, instant bidding and
6 selling. I don't know all about that. I have to look
7 into that -- and they couldn't afford to buy power and
8 had to have regulated power outages.

9 I have included two pictures of the troubles
10 in the State of California showing business that had to
11 use propane lanterns to stay open, or had to close
12 altogether because California had no power.

13 Because of the shortage of clean reliable
14 power, we could invite the American companies in
15 California, to move up here and we could give them
16 incentives and maybe give them a time that they could
17 stay here. You just can't come and use us and leave,
18 maybe give them a ten-year contract.

19 Computers use a lot of energy and everything
20 in your house is electrically operated, and I can't see
21 why we can't go and encourage Ontario companies and
22 California companies to move up here. And we could
23 encourage these companies to hire British Columbians.
24 We could put all of our citizens to work and maybe they
25 would pay more than minimum wage so of course the
26 government would get more money.

1 B.C. Hydro states, that was in that other --
2 it will be on there. I put headings for everything,
3 where I got it and pages.

4 B.C. Hydro states that the Quebec model does
5 not allocate any benefit from trade to the ratepayer.
6 I guess, I gather that's that 200 million, up to 200
7 million it goes to the ratepayer. But what difference
8 does it make if it's not a Crown corporation? Who knows
9 where that's going to go?

10 If B.C. Hydro adopted Quebec's model,
11 ratepayers would lose the benefit of the trade income up
12 to 200 million and also would lose revenues from the
13 sale surplus of hydro. Now, that was my main thrust
14 this morning in my questions; if it doesn't remain a
15 Crown corporation, all this is redundant. It doesn't --
16 like B.C. Hydro, thank you for putting me straight --
17 it's the government and you can't say, promise anything.

18 These losses could only be made up through
19 higher rates. I disagree with this premise that if a
20 full study was done on the income from trade using only
21 regulated generation distribution transmission following
22 Quebec's model and expertise in having the lowest rates
23 in North America, the ratepayers of British Columbia
24 would be content. I would be content if we would just
25 go and ask Quebec to come up here and teach us how to do
26 this.

1 My question is: Why has the B.C. government
2 taken the position of breaking up B.C. Hydro and asking
3 private corporations to run the generation, distribution
4 and transmission of our most valuable and renewable
5 hydroelectric resource? I feel that B.C. Hydro should
6 remain unchanged and we should run B.C. Hydro like
7 Quebec runs, Quebec Hydro, so that the citizens of
8 British Columbia could remain secure in the knowledge
9 that their own Heritage Resources would be kept in
10 perpetuity, or at the very least for fifty years.

11 I feel that ten years is too short of a time
12 span. Also nothing was ever mentioned about the return
13 of our entitlement to downstream benefits which I
14 mentioned, that came back on April 1st, 2003. Nothing
15 was said about what they did with this money.

16 I feel there is no transparency in the area
17 of breakup of B.C. Hydro into three separate parts. The
18 billing and human resources were taken over by Accenture
19 with no information to me or to the citizens and
20 taxpayers of this province. Nothing was in the
21 newspaper revealing the amount the province received
22 from Accenture, a Bermuda company. I heard somebody say
23 60 million, but I'm not sure.

24 Why were the citizens told about the terms of
25 reference dealing with the amount of money and length of
26 the sale and -- oh, I guess I should have put "were not

1 told". A typo there. -- terms of reference dealing
2 with the amount of money received over the length of
3 sale and how much profit Accenture will make. I want to
4 know that my provincial government is -- what my
5 provincial government is doing on my behalf, because I
6 am a taxpayer and a ratepayer of hydroelectric power.

7 I am also concerned that if B.C. Hydro is
8 removed from the integrated public ownership and
9 control, any future options the province will have
10 concerning B.C. Hydro will be restricted in light of the
11 North American Free Trade Agreement, which is NAFTA, as
12 well as a General Agreement on Trades and Services with
13 which is GATS, now being negotiated under the auspices
14 of the World Trade Organization.

15 NAFTA chapters 11 and 20 will make it
16 expensive and difficult, or maybe impossible, for a
17 publicly-owned power utility to return later if it is
18 eliminated now. Since private corporations would, in
19 this case, be able to claim expensive compensation for
20 the change, and that would be suing the B.C. government
21 which is us, taxpayers, because of lost revenues that
22 they would have got.

23 Policy Action Number 5, page 27 in this book,
24 the Commission, the Utilities Commission will cone again
25 regulate energy for our future, a Plan for B.C. Re-
26 regulation of B.C. Hydro rates. B.C. Hydro is going to

1 be doing that in the mid of 2004.

2 And that's what this prehearing is about and
3 there will be the filing hearing over the next two
4 weeks, I think, starting July 28th in Vancouver, and
5 October 17th a report will go on the government's desk or
6 B.C. -- I don't really know, on the government's desk,
7 B.C. Hydro, I wasn't -- I didn't know that. But
8 anyways, it's happening right now, it's happening today.
9 It's happening this minute.

10 The current rate freeze on B.C. Hydro rate
11 ended on March 31st, 2003 -- and that's right from this
12 book -- and will not be extended. There will be
13 immediate pressures for rates to rise to cover
14 maintenance, expenditures and investment in new
15 generation and transmission. Investment on new power
16 supplies will come from cost competitive private power
17 development. Once new rates have been determined
18 subsequent rate changes will be set through performance
19 based regulation which encourages the sharing of cost
20 savings with ratepayers. Properly regulated rates that
21 will reflect electricity costs will provide a better
22 signal for new investment.

23 Now, that's what the book says, so anybody
24 gets a book, this is exactly from there. The terms of
25 reference for this policy inquiry will be released on
26 January 2003. (This book was written November 2002.)

1 And will include a timetable for completion. So the
2 timetable will be the mid-2004. So mid probably will be
3 June of this year we'll be getting our new rate
4 schedules.

5 Following the policy phase B.C. Hydro will
6 make a revenue requirements filing with the Commission,
7 BCUC, British Columbia Utilities Commission, before the
8 end of 2003 or '4.

9 My response to this is I feel that all the
10 hearings and workshops that the B.C. Utilities
11 Commission has been holding for B.C. Hydro have been
12 held without proper notification to the public, the
13 ratepayers, and the taxpayers of British Columbia. I
14 feel that the magnitude of changes to B.C. Hydro are
15 immense and the discussions, workshops, hearings about
16 our Heritage Resource entitlement have been going far to
17 fast. I started this on the end of April and already
18 it's what? It's basically May, June and this is July.
19 Three months for this enormous change. It's just not
20 enough.

21 The public has not been informed properly and
22 I feel such that -- oh, a typo again -- important
23 changes should be held in town hall meetings in every
24 city of the province and that a referendum should be
25 held so that the citizens in British Columbia could vote
26 their approval or disapproval on this important

1 undertaking of B.C. Hydro.

2 Also, there is no transparency in the process
3 of letting the public know what is going on concerning
4 our hydroelectric resource, and when to attend a hearing
5 or meeting concerning B.C. Hydro. Had I not seen it in
6 the paper -- I don't know why I did -- I couldn't have
7 asked to be a interested party or an intervenor, and I
8 wouldn't have even have known about this today. Because
9 the little -- on July 16th, the B.C. Utilities Commission
10 had a little -- on the classified, the last page of the
11 classified section in the corner, a little 4 by 6 notice
12 telling everybody to come and attend, you know, if you
13 are interested as the public.

14 The companies that are in the electricity
15 field get a notice as they are stakeholders, but the
16 real important stakeholders are the public who pay most
17 of the taxes and the electricity bills. They get no
18 notice to attend these hearings. I mentioned the notice
19 that went out in the paper was on July twenty- -- oh, it
20 was on July 16th. There were only notices put in the
21 paid papers. I phoned around to put a letter to the
22 editor in the papers and I found out that Vernon doesn't
23 even have a paid paper so I guess it wasn't put there
24 because none of it was put in the papers that come to
25 the houses that people don't have to buy. And I felt
26 sorry for the people on -- well, on pension, fixed

1 pension on me, and the people that can't -- that are on
2 minimum wages. Maybe they can't afford to buy a paper
3 so they weren't even informed. There was no notice put
4 into the free community papers. I feel that is
5 discrimination towards the pensioners, low income
6 families who cannot afford to buy a paper on their
7 meager incomes.

8 I phoned B.C. Utilities Commission and asked
9 them if they would hold a town meeting in Penticton, and
10 was told, "No." So I took it upon myself to phone my
11 friends and tell them to let their friends know about
12 the meeting, and I also wrote a letter to the editor in
13 both local papers in Penticton as I felt the public
14 should be made aware of the negative changes being made
15 to B.C. Hydro -- which I feel are negative -- that will
16 affect and change their lives forever.

17 The overall area of Penticton, I figured,
18 would be over 100,000 people, so I think I'm the only
19 one here from Penticton, so I'm representing that whole
20 area.

21 This is a retirement area and at least one-
22 third of the residents who reside in the Okanagan which,
23 you know, right from Osooyoos right to Kelowna here and
24 on east and west and north and south. This is a
25 retirement area. At least one-third of the residents
26 who reside in the Okanagan are retired and living on a

1 fixed income. We have one of the highest unemployment
2 rates in the province and I don't see why we cannot
3 attract new business to our area and the whole province
4 by offering businesses who are having a problem securing
5 a reliable secure source of electric power as an
6 incentive to relocate to B.C. because of our access to
7 low cost clean reliable secure and renewable
8 hydroelectric power. Also because we own the generating
9 system, the distribution system, the transmission system
10 of this renewable resource, and if we would operate them
11 in the same manner as the Province of Quebec does, we
12 would generate more than enough profit to maintain and
13 build more electric utilities under the umbrella of our
14 provincially owned B.C. Hydro systems.

15 We could also have more than enough money to
16 pay for the infrastructure needed for the 2010 Winter
17 Games, put money towards our health care systems,
18 schools, universities, pay some towards our deficit. Of
19 course, before then I would hope they would work on all
20 the roads or whatever. We could even take off the toll
21 on the Coquihalla. We could start lobbying businesses
22 in Ontario and California to relocate here as a start.

23 Am I going too long or anything?

24 THE CHAIRPERSON: Ms. Parsons, if I may, I'd like you to
25 wrap up in the next ten minutes. Is that reasonable?

26 MS. PARSONS: A: Oh, yeah. I don't have that many more

1 pages.

2 THE CHAIRPERSON: Okay.

3 MS. PARSONS: A: Thank you.

4 Policy Action Number 7 from this book is:

5 "High reliability and energy security will be
6 maintained through well-functioning natural
7 gas markets and coordinating electricity
8 planning."

9 It says here from the book:

10 "In electricity, the Western Electricity
11 Coordinating Council is responsible for
12 comprehensive liability management in the
13 western grid. Regional transmission
14 organizations such as RTO West will facilitate
15 and coordinate planning to remove transmission
16 bottlenecks and increase trade. B.C.
17 participation in our RTO West together with
18 our high reliability standards and publicly
19 owned transmission assets will ensure that
20 provincial consumers have continuing access to
21 reliable electricity."

22 My response to this is, the public has not been
23 adequately informed about RTO West and that B.C. Hydro
24 would be joining that organization and would be in the
25 business of distribution only.

26 Policy Number 8 on the same page read:

1 "Distribution will acquire energy under the
2 Heritage Contract from B.C. Hydro's generation
3 line of business at the price determined by
4 the B.C. Utilities Commission."

5 Well, that's coming up right away in the mid-2004.

6 This was never fully discussed in all of the
7 terms of reference. I brought up RTO West by following
8 the Utilities Commission links on the internet. I feel
9 betrayed that I wasn't aware that this was the planning
10 stage for the fall of -- it was in the planning stage
11 from the fall of 1999 when RTO West was formed by
12 Northwest Transmission owners which include Avista, BPA,
13 Puget Sound Energy, Portland General Electric, Nevada
14 Power, Sierra Pacific Power Company, Idaho Power
15 Company, Pacific Corp, Northwestern Energy and yes, you
16 guessed it, British Columbia Power Authority, known as
17 the filing utilities.

18 RTO West formation process took place in
19 Vancouver, B.C. on December 4th, 2002. And from there,
20 photocopy, and it's on the internet, page 3, the writing
21 says:

22 "Filing utilities determined that extensive
23 public involvement..."

24 now this is the thing, even they said:

25 "Filing utilities determined that extensive
26 public involvement was a key principle in

1 developing the RTO West filings. This was
2 principally true in the Pacific Northwest and
3 Canada..."

4 This is what they say. I didn't know anything. I'm in
5 Canada.

6 "...and created a extensive public process on
7 major issues in filing documents."

8 Now, FERC, which it's a regulatory agency by
9 the United States government, they looked at Stage 1 and
10 2 filings. Stage 1 was October 23, 2000. Stage 2 was
11 March 29th, 2002. And from there their proposal, they go
12 on, function two, it says here:

13 "Provides for a market-based system of
14 managing congestion from the beginning of RTO
15 West commercial operations. Relies on
16 voluntary bidding process open to generators
17 and dispatchable loads. Will generate nodal
18 prices..."

19 now, all these words, I have no idea what they mean,

20 "...and manage congestion based on security
21 constrained least cost redispatch. Allows a
22 customer with pre-existing rights to chose
23 whether to convert to RTO West service."

24 I guess if you don't want to, you don't have to, but I
25 would gather if you want to transmit any of your
26 electricity as an IPP I guess you'd have to.

1 "Provides two forms of financial congestion
2 hedges, a catalogue transmission rights based
3 on pre-existing transmission rights."

4 Then it goes on to say that they have the authority --

5 "RTO West have authority to arrange for
6 transmission expansions, additions and
7 upgrades..."

8 and if B.C. Hydro Transmission Corporation is part of
9 that, which it appears it is:

10 "...based on transmission adequacy standards and
11 other backup authority under RTO West
12 transmission operating agreement."

13 So that's who is going to do all these upgrades and
14 building and everything, and they're going to go on a --
15 it says rate design, licence plate, load based rate
16 design, approved company rate of 8 years, but directed
17 market monitor for RTO West to re-evaluate whether a
18 shorter transition period could improve market
19 efficiency.

20 They approved an external access fee. You
21 could have a voluntary conversion of pre-existing
22 transmission service agreements, required some
23 modification to cataloguing and conversion process
24 including dispute resolution provisions.

25 This is my last page. Okay,

26 "B.C. has been taking part in the development

1 of an RTO covering the Pacific Northwest.
2 RTO West will operate U.S. transmission
3 systems on behalf of their owners as well as
4 the region's wholesale power market. In
5 September 2002 FERC..."
6 that's United States government regulatory,
7 "...accepted most of the current RTO West
8 proposals. Independent governance is expected
9 to be in place by the fall of 2004."
10 That will be right after our price rate that the
11 Utilities Commission is going to be working on. Just a
12 little bit after. Summer, mid and then fall.
13 "...and fully operational RTO West by 2006."
14 Okay. This policy action 15 out of this book says, page
15 30 and 31:
16 "The B.C. Hydro Transmission Corporation will
17 improve access to the transmission systems and
18 enable IPP participants wholesale markets."
19 In my response in my closing here: I feel the public
20 needs more information and needs to be educated about
21 RTO West and B.C. Hydro Transmission Corporation because
22 -- and the implications it has to our Heritage
23 Entitlement. This appears to be the privatization of
24 our electric utility, B.C. Hydro, without the
25 ramifications being spelled out to the general public.
26 So I feel that they are just going ahead and not telling

1 us anything.

2 And I showed you the pictures, that's in this
3 thing.

4 In mid-2004 the B.C. Utilities Commission is
5 reviewing a rate increase for our electricity, and now
6 it appears that that will be part and parcel of the RTO
7 West proposal which is also expected to be in place by
8 fall 2004 and fully operational by 2006. However, I
9 think this other, October 17th when it has to be on the
10 government's desk, I think that will be probably
11 operational and in place by 2005. I read it somewhere
12 but I didn't have somewhere to verify it.

13 So that is my submission and I thank all of
14 you for bearing with me. And I want to show you again
15 that this is California,

16 "Closed without Power. We will reopen when it
17 has returned. Sorry for the inconvenience."

18 This is a business owner in California. And this is a
19 bar owner that wanted to stay open, they didn't want to
20 close, and they have a propane lantern here so that they
21 could stay open. Because when you close you don't make
22 any money.

23 So thank you very much.

24 MR. FULTON: Ms. Parsons, would you like your submission
25 marked as an exhibit to these proceedings?

26 MS. PARSONS: A: Yes, I would.

1 MR. FULTON: If Ms. Parsons' submission might be marked
2 Exhibit 35.

3 THE HEARING OFFICER: Marked Exhibit 35.

4 (PRESENTATION OF MS. LILA PARSONS MARKED EXHIBIT 35)

5 MR. FULTON: Are there any questions from the floor of Ms.
6 Parsons?

7 There are no questions from the floor, Mr.
8 Chairman.

9 THE CHAIRPERSON: And the Commission panel has no
10 questions.

11 MS. PARSONS: A: Oh, okay.

12 THE CHAIRPERSON: I wanted to make one comment though, Ms.
13 Parsons. There is an organization in Vancouver and it's
14 the B.C. Public Interest Advocacy Centre that has a list
15 of clients that it represents that you might be
16 interested in. They include clients that may be
17 representative of your circumstances.

18 MS. PARSONS: A: Was that on my intervenor list of 66
19 people?

20 THE CHAIRPERSON: It was.

21 MS. PARSONS: A: Okay, thank you.

22 THE CHAIRPERSON: Thank you.

23 MS. PARSONS: A: I think I did contact them and I wasn't
24 too happy with talking to them. Thank you.

25 (WITNESS ASIDE)

26 MR. FULTON: With the exception of the decision that Mr.

1 Secord was going to make, Mr. Chairman, that otherwise
2 concludes the presenters for this regional session.

3 MR. SECORD: I'm just going to be speaking off the top of
4 my head, is that all right?

5 THE CHAIRPERSON: Yes.

6 **EVIDENCE IN CHIEF OF MR. SECORD:**

7 MR. SECORD: A: In light of what was said by this lady
8 here, obviously she was not made aware of Dr. Jaccard's
9 report which was done -- the study was done in 1997.
10 The report was wrote in 1998. Dr. Jaccard's report
11 basically tells you that B.C. Hydro will be -- he wanted
12 B.C. Hydro split up into four units, Customer Service,
13 Distribution, Transmission and Generation. That was his
14 recommendation in his report.

15 His report was his report only. The
16 stakeholders did not approve of it, and there was 17
17 stakeholders. I was an alternate to one of those
18 stakeholders.

19 Dr. Jaccard also recommended using natural
20 gas for generation of electricity. Our organization has
21 studied this extensively. We have been following the
22 news on what's available on natural gas, and if natural
23 gas is used ultimately we are going to reap the benefits
24 or the costs. And I've heard an energy report from the
25 United States, this was about two months ago, where they
26 had an energy consultant on. He said the price of

1 natural gas in the States is going to triple this coming
2 winter, the reason being electricity is being generated
3 with natural gas. If they shut that down then there
4 would be no shortage of natural gas. So our stand as an
5 organization has been that we are opposed to using
6 natural gas for the generation of electricity.

7 This report here, *Energy For Our Future, A*
8 *Plan for British Columbia* is nothing more than Dr.
9 Jaccard's report recycled. And because this energy
10 report was produced, there was no -- to my knowledge
11 there was no public input into it. It's got no
12 transparency at all. It was wrote and I have
13 convictions about who was that wrote this report for the
14 government, and I'm absolutely opposed to the proposals
15 that are in here and one of the reasons being that the
16 private sector, and I'm not putting the private sector
17 down, in all due respect to the private sector, they are
18 in business to make money. But we have the Bennett dam
19 and then there's also a future location for power at
20 Site C on the Peace River.

21 Site C would be nothing without the Bennett
22 dam, but private sector, the government has said that
23 B.C. Hydro us not going to be allowed to build any more
24 generation, in this report. That site is owned by --
25 they own the land, B.C. Hydro owns the land, as I
26 understand it, or we've been able to ascertain that they

1 own the land around that Site C and everything is in
2 place to go ahead with it, and we are looking at
3 probably 1500 megawatts of available power at that
4 location, would put B.C. Hydro probably into the future
5 ten years, self-sustaining.

6 Other than that, not having a prepared
7 document, I really haven't got anything more to say, and
8 I thank the Commission for giving me the opportunity for
9 giving me the opportunity to speak on this item. And I
10 know it's outside of your hands but I believe it should
11 be recorded on the record.

12 Thank you.

13 THE CHAIRPERSON: Well, thank you for your comments, Mr.
14 Secord.

15 (WITNESS ASIDE)

16 MR. FULTON: Mr. Chairman, I should probably, before I sit
17 down for the last time, just canvass the room to ensure
18 that the representative of the Thompson Nicola Regional
19 District is not here.

20 MR. RANTA: I'm here. Sorry to be late.

21 MR. FULTON: Ah, so we do have another presenter, Mr.
22 Chairman. So if you would like to come forward then.

23 THE CHAIRPERSON: I think we should, if they wish, to take
24 a break before the presentation. I think we should
25 extend an opportunity for a break to the court reporter.
26 Would you like a break?

1 COURT REPORTER: I wouldn't mind five minutes.

2 THE CHAIRPERSON: Okay, let's take a five minute break and
3 that will give you a chance to come take your seat.

4 **(PROCEEDINGS ADJOURNED AT 11:17 A.M.)**

5 **(PROCEEDINGS RESUMED AT 11:25 A.M.)**

6 MR. FULTON: Before we turn to the next panel, Mr. Carle
7 provided me with the written text of his submission and
8 following the practice that we've previously adopted in
9 these regional sessions, I would ask that that text take
10 the next Exhibit number which should be Exhibit 36.
11 There are not additional copies of the text. Copies
12 will be made in Vancouver and made available at that
13 time.

14 THE HEARING OFFICER: Marked Exhibit 36.

15 (PRESENTATION OF THE INTERIOR MUNICIPAL ELECTRIC
16 UTILITIES (IMEU) BY MR. JOHN RANTA MARKED EXHIBIT 36)

17 MR. FULTON: The next presentation is from the Thompson
18 Nicola Regional District. Mr. Hearing Officer, if you
19 could swear Mr. Ranta.

20 **JOHN RANTA, Affirmed:**

21 MR. FULTON: Mr. Ranta, you are the chair of the Thompson
22 Nicola Regional District?

23 MR. RANTA: A: Yes, sir.

24 MR. FULTON: And you are authorized today to speak on
25 behalf of the Regional District?

26 MR. RANTA: A: Yes, sir.

1 MR. FULTON: Would you then proceed with your presentation,
2 please.

3 **EVIDENCE IN CHIEF:**

4 MR. RANTA: A: Thank you very much. Please excuse me for
5 being late, and for perhaps not understanding in great
6 detail all the implications of what's being contemplated
7 here.

8 The Thompson Nicola Regional District,
9 hereinafter referred to as the TNRD, is located in the
10 central part of British Columbia and is a form of local
11 government that comprises a collection of 18
12 incorporated area, municipalities, and 10 unincorporated
13 areas called electoral areas. It covers 45,279 square
14 kilometres and has a population of 119,222 according to
15 the 2001 census.

16 Approximately 80 percent of the TNRD
17 population resides within the incorporated areas which
18 comprises less than 1.5 percent of the total land mass
19 of the region. The area that falls within the
20 geographic boundaries of the TNRD is largely rural in
21 nature.

22 The TNRD is a very large diverse area that
23 contributes to the economy of British Columbia through
24 several industries that include forestry, mining, (the
25 home of Highland Valley Copper, one of the largest open
26 pit operating copper mines in the world) agriculture,

1 (some of the largest ranches in North America) and
2 tourism. As you look at those industries you should
3 clearly understand the region is and has been severely
4 impacted by the softwood lumber tariff imposed by the
5 United States and more recently the embargo on the
6 exporting of beef to other countries because of the mad
7 cow disease.

8 In addition, and in the future, Highland
9 Valley Copper, which currently has 958 full-time
10 employees is expecting to permanently cease operations
11 in mid-2009 putting approximately 911 people out of
12 work. Decommissioning and reclamation activities will
13 continue for a number of years subsequent to closure
14 with a small work force. The region is suffering
15 socially and economically.

16 All government agencies and business
17 organizations must do all that's within their authority
18 and power to mitigate the impact of these issues on the
19 region. Unfortunately most of the control is not in the
20 hands of local government or in the TNRD.

21 The Board of Directors of TNRD is an elected
22 political body that includes appointments from each of
23 the eight member municipalities and one elected
24 representative from each of the ten electoral areas. In
25 addition to managing services like 9-1-1, water
26 utilities and fire departments that benefit the

1 constituents around the region, the Board also attempts
2 to oversee the interests of its constituents that
3 include individuals and corporate entities whether they
4 are large or small. The Board is doing all they can to
5 protect and/or generate interest to retain, recover and
6 generate new jobs in the region. Most of that lies in
7 lobbying other senior levels of government to make
8 necessary adjustments such that the economy of the
9 region can recovery and/or regenerate.

10 The Board of Directors of the TNRD has had an
11 opportunity to review the Province of British Columbia's
12 proposed new Energy Plan and the principles behind that
13 plan. The TNRD is supportive of the four cornerstones,
14 low electricity rates, public ownership of B.C. Hydro,
15 secure and reliable energy supply and more private
16 sector opportunities subject to required approvals from
17 other government agencies and local government, as well
18 as supporting environmental responsibility.

19 During the review of the Energy Plan, the
20 Board received and discussed information with respect to
21 the proposed Heritage Contract and Stepped Rates. A
22 representative from B.C. Hydro and Power Authority was
23 present and made a presentation providing a detailed
24 explanation of the proposed Heritage Contract rates and
25 stepped rates. The Board is, however, at odds with some
26 of the proposals contained in the Heritage Contract as

1 we understand them, and the Stepped Rates and Access
2 Principles.

3 Specifically the Heritage Rates should be
4 available to the TNRD region subsequent to the closure
5 of Highland Valley Copper. It would serve as an
6 incentive to an industry wishing to relocate and/or
7 reactivate in the region replacing those jobs lost
8 through the closure of the mine. The region has the
9 potential to produce other mines. There's also the
10 potential for some other large industry to relocate in
11 the region utilizing the workforce, unemployed because
12 of the mine closure. It's suggested that retention of
13 the Heritage Contract rates should continue for
14 approximately five to seven years, allowing those
15 businesses the time to develop business plans to
16 demonstrate viability of their operation, and/or obtain
17 the necessary approvals to proceed to development.
18 Every effort is required to return these jobs to the
19 region.

20 The second point the Board has asked me to
21 bring forward to you is that stepped power rates will be
22 a deterrent to new business wanting to establish, and
23 existing business wanting to expand. The result is
24 failure to create new jobs and impeding the economy of
25 the region. As business wishing to expand find their
26 energy costs will be rising, it becomes marginal for

1 them to expand with the result that economic development
2 in the region and around the province is questionable.

3 And the third point is that rates should be
4 structured to encourage business to become more energy
5 efficient by producing more products at the same per
6 unit cost or at reduced cost. And I think rather than
7 the perception they have that the stepped rate has one
8 rate and then if you decide to use more power it goes up
9 steeply and you wind up paying for that incremental
10 increase at a higher rate, I think what they are
11 suggesting is that the cost of energy should be related
12 more to the production, the efficiency of an operation
13 rather than on the power consumed, and I don't know how
14 you'd figure out how to do that, but in a sawmill or a
15 mine they produce unit volumes of timber or pounds of
16 copper or something, and the more efficient operations,
17 we believe, should be entitled to the lower power rate,
18 even though a larger operation would use more power. It
19 should be a little different formula from what we
20 understand it to be.

21 While the TNRD applauds the development of
22 IPPs to produce and provide new energy needs for the
23 future, there is concern they may not -- that they do
24 not appear to be adequately controlled or legislated;
25 post closure control approvals by the province and local
26 government. These plants will undoubtedly be located

1 near communities around the province and the residents
2 of those communities may or may not be pleased with them
3 being in their backyard without some control surrounding
4 the conditions of their operations.

5 As well this region is promoting tourism
6 development and uncontrolled excessive expansion of
7 utility corridors will affect the visual and backcountry
8 experience and we believe that new projects should be
9 required to use the existing infrastructure wherever
10 possible.

11 So basically that's all I have, as a written
12 presentation which I'll provide, and other than that, I
13 guess my understanding of the intent of my being here is
14 to suggest that the three things. There's a component
15 on our 22 member board that believes that probably what
16 you refer to as a blended rate is the more appropriate
17 way to go, that we should calculate the total cost of
18 producing the amount of power that's required in a year
19 and divide it equally amongst all the users, the cost
20 versus the amount of power that's produced rather than
21 have the stepped rate because that gives an unfair
22 advantage to the existing industries, or it appears to
23 from our perspective, and new industries are asked to
24 compete on a playing field which is other than a level
25 playing field.

26 As I mentioned as well, the perception that

1 Highland Valley Copper is one of the largest power
2 consumers in the Province of British Columbia and the
3 impact that the closure of that mine will have on the
4 region, there should be at least a component of that
5 power for a period of time available to do economic
6 development in the region.

7 My understanding is that B.C. Hydro,
8 according to their presentation, is not in favour of
9 that concept because of the potential of abuse, is what
10 they've said, and surely to goodness in this day and age
11 we'd have the opportunity and the ability to regulate
12 any potential abuse, and from a regional perspective,
13 that power may represent significant economic
14 development incentive to locating new jobs and new
15 businesses in the region for a period of time.

16 So basically, happy to answer any questions.
17 And that's it, short and sweet. I know you like it that
18 way. It's got to be the third presentation.

19 MR. FULTON: Are there any questions of Mr. Ranta from the
20 floor?

21 There are no questions from the floor, Mr.
22 Chairman.

23 THE CHAIRPERSON: Thank you.

24 I don't have a question, Mr. Ranta, I'll make
25 one comment. You are, unless somebody else walks in the
26 door in the next few minutes, you'll be the last person

1 to make a presentation to the Commission panel during
2 the regional sessions, and you might find this of some
3 interest: In Prince George where we were on Wednesday,
4 the Peace River Regional District in the north central
5 municipal association made two presentations to us. The
6 local government presentations have certainly added to
7 the value of our regional sessions. And so I'm glad
8 that we were still here when you arrived.

9 MR. RANTA: A: Yeah, well, I'm sorry. I'll get a faster
10 car next time.

11 THE CHAIRPERSON: Well, that's fine. I'm glad that we
12 were still here and that you were able to make a
13 presentation to us and I thank you for taking the effort
14 to do that.

15 MR. RANTA: A: Thank you for hearing me. Thanks.

16 (WITNESS ASIDE)

17 MR. FULTON: Before I sit down for the last time, Mr.
18 Chairman, if the submission of the Thompson Nicola
19 Regional District may be marked the next exhibit, and I
20 believe that would be Exhibit 37.

21 THE HEARING OFFICER: Exhibit 37.

22 (SUBMISSION OF THE THOMPSON NICOLA REGIONAL DISTRICT BY
23 JOHN RANTA MARKED EXHIBIT 37)

24 MR. FULTON: That concludes the matters that I have, Mr.
25 Chairman.

26 THE CHAIRPERSON: Thank you. We are adjourned until

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Tuesday in Vancouver.

(PROCEEDINGS ADJOURNED AT 11:38 A.M.)