

PANEL 1

1 DIRECT TESTIMONY OF THE POLICY PANEL

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3 **Q1.** *What role did senior management play in the CFT process?*

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5 **A.** **Senior management provided executive and policy direction for the**
6 **development of the CFT, the conduct of the CFT, and the preparation**
7 **of the Report to the Commission with respect to it.**

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9 **Q2.** *When did you receive notification of the outcome of the CFT process and*
10 *what did you do in response?*

11
12 **A.** **Senior management received the recommendations of the**
13 **Quantitative Evaluation Committee in mid-October, 2004. The**
14 **recommendations were accepted regarding the results, but senior**
15 **management requested that an analysis be undertaken to determine**
16 **whether there were any compelling reasons to reject the**
17 **competitively determined Tier 1 CFT outcome. In particular, we**
18 **wanted to ensure that we had considered key cost and timing**
19 **certainties/uncertainties in both a quantitative sense and a**
20 **qualitative sense. Also, consistent with the definition of cost-**
21 **effectiveness in the VIGP decision, we wanted to be sure that**
22 **reliability, timing and other non-price factors were considered as part**
23 **of reviewing the analysis.**

24
25 **The cost-effectiveness analysis was completed prior to 20 October**
26 **2004, at which time senior management presented its CFT**
27 **recommendations to BC Hydro's Board of Directors. In response to**
28 **this request we were provided with a cost-effectiveness analysis that**
29 **is summarized in Appendix J. This high-level check on key**
30 **uncertainties helped confirm that the outcome of the CFT process**
31 **presented a solution that was consistent with BC Hydro's long-run**
32 **objectives of delivering reliable cost-effective supply.**

33
34 **Q3.** *Do you believe that there were any portfolios that comprised projects*
35 *willing to enter into an EPA on terms more cost-effective than the Duke*
36 *Point Power EPA available to BC Hydro to provide reliable capacity on*
37 *Vancouver Island?*

38
39 **A.** **No. BC Hydro believes that the CFT process encouraged an active**
40 **competition among all projects and bidders with projects that could**
41 **meet the Mandatory Criteria. Specifically, BC Hydro is not aware of**
42 **any long-term dependable electrical capacity in the form of new**
43 **generation, employing proven technology and located on Vancouver**
44 **Island, with an aggregate capacity from 150 MW to 300 MW and a**
45 **commercial operation date of May 1, 2007, that could enter into an**
46 **EPA on terms more cost-effective than the Duke Point Power EPA.**

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2 **Q4.** *In overseeing the CFT process did senior management give any direction*
3 *to staff conducting this process to accommodate or discourage any*
4 *particular project based on its fuel type, owner, or other specific*
5 *characteristic?*

6
7 **A.** **No.**

8
9 **Q5.** *Can you explain what implications the Duke Point Power EPA being*
10 *disallowed would have on reliability for Vancouver Island and BC Hydro's*
11 *ability to acquire new energy through competitive processes to meet future*
12 *energy or capacity needs in British Columbia?*

13
14 **A.** **Ms Hemmingsen's testimony provides a detailed response to this**
15 **question. Two points are key from senior management's perspective.**

16
17 **First, the dominant issue must be maintaining reliable supply on**
18 **Vancouver Island. A solution to Vancouver Island's capacity**
19 **problems has been sought for over 10 years. Every plausible**
20 **solution has been extensively studied. Through the CFT process, all**
21 **those with their own ideas of how to provide a solution have been**
22 **offered the opportunity to come forward and many have responded.**
23 **Reliable supply on Vancouver Island depends on proceeding on with**
24 **the project that has emerged as the winner in this process.**

25
26 **Second, we completely concur with Ms Hemmingsen that a negative**
27 **outcome of this process will significantly hamper BC Hydro's future**
28 **efforts to competitively procure electricity.**

29
30 **Q6.** *Are there any specific sections of the CFT Report for which senior*
31 *management had specific responsibility?*

32
33 **A.** **No. Senior management provided general direction throughout the**
34 **process but did not have specific responsibility for any particular**
35 **section.**

36
37 **Q7.** *Does this complete your direct testimony?*

38
39 **A.** **Yes.**