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1.0 Reference: None

1.1.0 As I understand it, BCH and/or BCTC are committed to installing a new 230KV cable connection between VI and the mainland, are presently working on that as a project, and expect to have it in operation in the next few years, let's say by 2010. Is my understanding correct? If not, please explain.

RESPONSE:

Confirmed.

2.0 Reference: None

1.2.0 As I understand it, the most urgent aspect of the problem BC Hydro is addressing with regard to VI electricity (what I'm going to call the 'VI electricity problem') is that of potential peak demand shortfalls between 2007 (when the HVDC system is de-rated) to when a longer-term solution (such as the new 230KV cable connection) is in place. Is this correct? If not, please explain.

RESPONSE:

Confirmed.

3.0 Reference: None

- 1.3.0 It's my understanding that the amount of electricity that might be required to meet the potential peak demand shortfalls referred to in 2. is small relative to the amount of electricity that would be produced by a 252 MW generating plant operating continuously. Would it be reasonable to say that if no additional peak-reducing measures (other than PowerSmart) were implemented between now and when a longer-term solution (such as the new 230KV cable connection) is in place, the amount of (possibly) required peak power would be less than say 5% of what a 252 MW generating plant operating continuously over the same time period would produce? If not, please supply a more realistic %-figure, along with calculations showing how the figure was derived.

RESPONSE:

As noted in Table 5 of the CFT Report the expected supply deficit on Vancouver Island in F2008 is 262 MW. This means that the 252 MW of capacity purchased in the CFT is not sufficient to meet the load requirement in F2008 (i.e., the CFT result addresses 95% of the shortfall, and less with the load forecast revision) reflecting the final rate increase.

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4.0 Reference: None

- 1.4.0 Are n-2 failures - for example, the two 500KVAC circuits failing simultaneously - or worse – a major earthquake taking out the two 500KVAC circuits and as well severing the gas connection to ICP - a consideration in the formulation of the 'VI electricity problem'? If not, why not? And who is saying they shouldn't be?

RESPONSE:

N-2 failures are not considered for system planning. For planning purposes, the reliability of the transmission system is based on the industry-wide (NERC/WECC) N-1 contingency reliability planning criterion. The BCUC has endorsed BC Hydro's compliance with NERC/WECC standards for reliability and believes these are appropriate standards for safe and reliable power delivery.

5.0 Reference: None

1.5.0 Are any of the following alternatives unreasonable to consider as possible solutions to the 'VI electricity problem':

- a) Implementing stepped rates to encourage energy efficiency and discourage waste
- b) Encouraging customers to convert electric heating processes to gas, using any gas which might be available on VI
- c) Expediting (throwing more \$'s at) the 230KV project so VI gets more reliably connected to the mainland grid sooner than is presently being anticipated
- d) Encouraging customers to shift electricity use away from times of maximum demand
- e) Encouraging more interruptible power contracts
- f) Expanding existing hydroelectric generating facilities on VI
- g) Encouraging the generation of electricity from heat presently being wasted (cogeneration)
- h) Taking advantage of alternatives such as those proposed by Green Island Energy and Norske
- i) Installing load control circuitry on each of the 500KVAC circuits to quickly limit load on the surviving circuit should one circuit fail.

RESPONSE:

(a), (b), (c), (d), (e), (f), (g), (i) These Information Requests are out of scope.

(h) Green Island was a registered bidder in the CFT process, meaning that the company and its proposed project met the mandatory criteria for meeting Vancouver Island's reliability requirements. NorskeCanada's Demand Management Proposal (NCDMP) is a load curtailment project, which the Commission determined to be ineligible for the CFT. However the NCDMP was included as a contingency measure as part of the Cost-Effectiveness Analysis, in order to compare the cost differences between Tier 1, Tier 2 and No Award options on an equivalency basis.

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6.0 Reference: None

- 1.6.0 For any alternatives in 5. identified as having no potential for contributing to the solution of the 'VI electricity problem', please give a full explanation as to why no potential.

RESPONSE:

Please see the response to McKechnie IR 1.5(h).

7.0 Reference: None

- 1.7.0 For those alternatives in 5. identified as having potential for contributing to the solution of the 'VI electricity problem', please provide an estimate of how much electricity might reasonably be expected, in terms of both capacity and energy, over the next few years until a longer-term solution becomes operational. As well, for each please provide triple-bottom-line levelized capital, operating, and electricity costs so I can compare to similar figures related to the DPP/EPA proposal

RESPONSE:

Capacity and energy information were provided in response to BCOAPO IRs 1.16.1 and 1.16.2. Detailed cost breakouts for the Tier 1 and Tier 2 portfolios were provided in confidence to the Commission in response to BCUC IR 1.9.0. Cost assumptions for NorskeCanada's Demand Management Proposal were taken from NorskeCanada's report filed in British Columbia Transmission Corporation's Capital Plan Application as Exhibit C1-4.

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8.0 Reference: None

- 1.8.0 Please provide similar/equivalent triple-bottom-line figures for the DPP/EPA proposal so I can compare to figures for the other feasible alternatives as requested in 7.

RESPONSE:

This request seeks confidential information, similar to that which was filed with the Commission in response to BCUC IR 1.23.1.

9.0 Reference: None

- 1.9.0 What will happen if/when the cost of electricity produced by the DPP facility exceeds export price, for example on account of high gas price? Will the plant be shut down or will it be operated at a loss to (in effect) pump up the reservoirs? If the plant is shut down how will that affect the cost of electricity produced? How will air quality be affected compared to a plant which is run continuously? If the plant is run at a loss who absorbs the loss – DPP or the ratepayer?

RESPONSE:

The Duke Point Plant will be dispatched to meet the capacity needs of Vancouver Island, regardless of variable costs or export prices.

If the plant is not dispatched as often as expected, BC Hydro will still pay for the fixed capacity payments.

The part of this question dealing with air quality is out of scope.

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10.0 Reference: None

1.10.0 Please provide an analysis showing the value which would accrue to ratepayers if the residual VIGP CCGT equipment were installed at Burrard Thermal instead of being sold for \$50M to an IPP for installation on VI.

RESPONSE:

This Information Request is out of scope.

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11.0 Reference: None

1.11.0 At what price on the open market could the residual VIGP assets be sold for use somewhere other than on VI?

RESPONSE:

BC Hydro estimates the salvage value of the VIGP assets at \$14 million.

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12.0 Reference: None

1.12.0 What is BC Hydro's backup or contingency plan if the Commission decides not to approve the EPA?

RESPONSE:

Upon completion of the Commission's review of the CFT and on an annual basis thereafter, BC Hydro will evaluate its Vancouver Island contingency options and activate plans to bridge any capacity shortfall.

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13.0 Reference: None

1.13.0 Inasmuch as the Commission concluded last fall that BC Hydro hadn't demonstrated that VIGP was the least-cost solution to the 'VI electricity problem', please explain how BC Hydro can now claim that contracting with an IPP to build and operate essentially the same plant will produce least-cost electricity for BC ratepayers, especially with gas prices now around/above \$6/GJ mark and in light of the strong probability that an IPP will throw in a profit margin. No need for reams of paperwork here - a simple explanation will suffice.

RESPONSE:

The Duke Point Power (DPP) project was determined to be the most cost-effective resource addition for Vancouver Island based on a competitive bidding process that was open to all types of on-Island generation. As shown in BC Hydro's *Report on the CFT Process*, the DPP project constituted the least cost portfolio and also had an NPV and rate impact that was lower than the VIGP Benchmark. For the schedule of forecast gas prices used to evaluate the portfolios, please see the response to BCUC IR 1.24.3.

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14.0 Reference: None

1.14.0 In once again recommending gas-fired generation on VI, is BC Hydro acting under directives from the government or the BCUC or anyone else? If so, please be specific about the origin of such directives and provide details of such directives.

RESPONSE:

No.

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15.0 Reference: None

1.15.0 Please explain why BC Hydro is once again recommending gas-fired generation on VI in the face of significant public opposition when simpler, more environmentally friendly, and less costly ways of solving the 'VI electricity problem' are available.

RESPONSE:

The Duke Point Power project was determined to be the most cost-effective source of new dependable capacity for Vancouver Island based on a competitive bid process that was open to all forms of on-island generation, other than nuclear energy.