



August 19, 2009

Honorable Blair Lekstrom  
Minister of Energy, Mines, and Petroleum Resources  
Room 133  
Parliament Buildings  
Victoria, BC V8V 1X4

Dear Minister Lekstrom:

The B.C. Utilities Commission's recent rejection of BC Hydro's Long Term Acquisition Plan (LTAP) has been the source of considerable discussion and debate. We are writing to recommend some next steps for the government that we believe would advance electricity planning in British Columbia. These steps would help B.C. become more energy efficient, reduce greenhouse gas emissions, and resolve conflict over new renewable electricity projects.

While we do not agree with all of the decisions made by the B.C. Utilities Commission (the Commission), we feel that most of the decisions were correct given the direction and evidence put before it. Moreover, we remain strongly supportive of the current structure and role of the Commission as an arms-length quasi-judicial body that allows complex decision-making about energy policy to take place in a less politicized environment.

That said, we are concerned that if some shortcomings in the Commission's recent decision are left unaddressed, similar decisions in the future will compromise the province's ability to transform its electricity system for the better. In particular, renewable-energy-project proponents and investors should see B.C. as a stable jurisdiction in which to develop good projects. Having that long-term certainty will encourage companies to make longer-term investments in B.C. as the province transitions to a low-carbon economy.

Of direct relevance to our recommendations are the following decisions:

- The decision to reject BC Hydro's demand side management (DSM) plan.
- The decision to increase reliance on the Burrard Thermal plant.
- The direction to explore DSM efforts that would encourage switching to natural gas space and water heating.
- The decision to not endorse the proposed call for power.

Based on our interpretation of the Commission's ruling, we have three recommendations on how the Ministry can provide better guidance to the Commission while leaving its mandate unchanged, thereby strengthening the Commission's decision-making process in future hearings.

1. *Clarify the expectations for BC Hydro in justifying its DSM efforts:* We support the Energy Plan's requirement that utilities pursue all cost-effective DSM. We also support the Commission's call for more rigour in BC Hydro's efforts to identify and pursue all cost-effective energy efficiency opportunities. The Commission clearly had higher expectations than BC Hydro did in attempting to demonstrate that all cost-effective DSM opportunities were being pursued. For future decisions, it is important that these different interpretations be aligned. In general, we would support a requirement that utilities demonstrate that further efforts to increase DSM programming would result in program costs exceeding the costs of new supply. The scope of consideration should include education, incentive, rate, and regulation-based approaches to DSM.
2. *Reaffirm the expectation that the Burrard Thermal plant will be for capacity purposes only after 2014:* We disagree with the Commission's decision that BC Hydro should rely on the Burrard Thermal plant for 5,000 GWh of electricity per year. Directive 22 in the Energy Plan clearly states that BC Hydro should be reducing its reliance on Burrard Thermal, which is the direction the LTAP proposed. If followed, the Commission's direction to increase generation at Burrard Thermal from 3,000 to 5,000 GWh annually would amount to an increase of 1.1 million tonnes of greenhouse gas emissions.<sup>1</sup> The government should reaffirm, and clarify if necessary, its desire to see the Burrard Thermal plant phased out (except for potential peaking capacity needs) by 2014.
3. *Broaden the scope in any analysis of DSM opportunities that would encourage switching to natural gas space and water heating:* In directing BC Hydro on DSM opportunities related to space and water heating, the Commission stated: "...analysis should focus on high efficiency natural gas fired appliances compared with electrical baseboard heating applications." We have concerns about this recommendation because it could amount to BC Hydro using ratepayer resources to encourage increased consumption of fossil fuels and potentially present a direct barrier to achieving B.C.'s legislated greenhouse gas emission reduction targets. We encourage the government to direct BC Hydro's investigation to be broadened so as to include an assessment of a full range of space and water heating and cooling technologies (including high-efficiency ground-source and air-source heat pumps), and an assessment of how each technology supports or conflicts with efforts to reduce greenhouse gas emissions.

We do not see any need to revisit the Commission's decision to not endorse the proposed call for power. We recognize that the decision introduces unwanted uncertainty for

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<sup>1</sup> Pembina Institute calculation based on 2,000 GWh of generation from Burrard Thermal gas plant at an average emissions intensity of 570 tonnes of greenhouse gas emissions per GWh of generation. This emissions intensity is equivalent to the Burrard Thermal gas plant's average emissions intensity between 1997 and 2005 as reported on BC Hydro's website.

project proponents, but until BC Hydro demonstrates that it is pursuing all cost-effective opportunities for DSM, the Commission's decision is unavoidable. We believe that following through on the above recommendations (1 and 2 in particular) will provide much greater clarity for future decisions.

While the three recommendations above pertain directly to the Commission's ruling, we believe that the debate spurred by that ruling is ultimately only part of a much larger problem: the overall inadequacy of the province's current approach to new power generation. We have attempted to capture those shortcomings in the following five concerns, each of which needs to be addressed:

1. B.C. has not adequately engaged with British Columbians to determine how much electricity the province needs in the future. In particular there are questions about the overall costs and benefits of B.C. pursuing a strategy to a) export electricity, and b) use electricity for heating and transportation to reduce greenhouse gas emissions.
2. The province, the Commission, and BC Hydro have not done the planning, scientific research, and engagement needed to identify which sites are appropriate (or inappropriate) for renewable electricity projects and transmission infrastructure. Government efforts within the past 18 months have been compromised by inadequate energy resource assessments and an unwillingness to identify the lands inappropriate for generation or transmission.<sup>2</sup>
3. The current approach to issuing water licenses and Crown Land leases fails to encourage the development of good power generation projects, and is more effective at promoting speculation and community opposition.
4. B.C. is failing to ensure that new electricity projects are credible as "green" projects. The province's current "clean or renewable" standard permits technologies that fail to meet common-sense "green" criteria, and does not apply to 10% of new supply.
5. The current project approval process fails to adequately vet individual project proposals, and the existing regulations do not adequately protect against environmental impacts and are not adequately enforced.

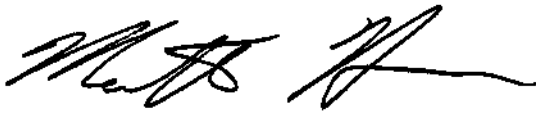
We urge the government to play a more proactive role in addressing these issues. Until this happens, two core symptoms are likely to persist regardless of the outcome of future Commission decisions. First, the public will continue to be skeptical of and potentially adversarial to the expansion of renewable energy generation in B.C., one of the key solutions to the climate crisis. Second, the renewable energy industry will become increasingly hesitant to invest in the province, given the uncertainty of doing business here. By taking action on the above concerns as well as making specific and modest corrective responses to the Commission's LTAP ruling, we believe B.C. can become more energy efficient, reduce greenhouse gas emissions, and resolve conflict over new renewable electricity projects.

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<sup>2</sup> Examples include B.C.'s participation in the Western Renewable Energy Zones initiative and the Commission's Section 5 Transmission Inquiry.

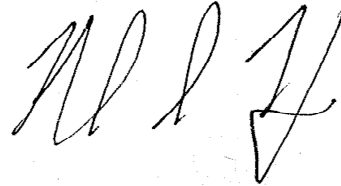
Thank you for considering our recommendations. We would be happy to discuss them in greater detail if desired.

Sincerely,



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cc: Honorable Barry Penner