
FOR THE RECORD

For Immediate Release
2009EMPR0019-000531
March 25, 2009

Ministry of Energy, Mines and Petroleum Resources

FACTS ON INDEPENDENT POWER PRODUCTION

Here are the facts on independent power production, to correct misleading claims about electricity generation in British Columbia.

Claim: B.C. does not need to be electricity self-sufficient; we can easily import any new electricity we need from other jurisdictions.

Fact: Government's commitment to becoming self sufficient in electricity by 2016 will ensure BC Hydro has sufficient electricity supply to meet customer needs in the worst water years, and have a buffer supply for insurance when demand is higher than anticipated, or if expected energy efficiency savings do not materialize.

- BC Hydro's own figures show it has become a net importer to meet its customers' needs. BC Hydro has been a net importer of electricity for seven of the last 10 years.
- Despite the current economic climate, over the long term, B.C.'s economy will continue to grow, as will the need for electricity. The gap between supply and demand is expected to widen as we move to achieve our goals for using clean, renewable electricity in transportation and other sectors.
- It takes time to build new electricity infrastructure responsibly, and government is not going to risk being 'caught short' by not continuing to plan for the economic future of this province.
- The self-sufficiency policy ensures that B.C. benefits from the jobs and investment of new power supply infrastructure.
- Self sufficiency will reduce our reliance on imports. Many other jurisdictions B.C. currently relies on to meet our domestic needs generate electricity from coal-fired power plants – not the clean, green sources that we enjoy in this province.
- Many British Columbia residents are surprised to learn we rely on American power to keep our lights on or that the imported power comes from coal-fired power plants. Citizens expect us to be self-sufficient and clean, considering the ample natural resources we have.
- Government has put conservation and energy efficiency as the first option utilities must consider in meeting a growing demand.
- Government has set a goal for BC Hydro to meet 50 per cent of its growing needs through conservation, and its current resource plan does that and more.

Claim: The 2002 Energy Plan bans BC Hydro from building new electricity generation facilities.

Fact: BC Hydro provides 90 per cent of the total electricity the province generates – between 43,000 and 54,000 gigawatt hours of electricity per year – and serves 95 per cent of B.C.’s population (BC Hydro Service Plan, 2009/10-2010/11). Therefore, BC Hydro is currently looking at building and expanding electricity generation for B.C.

- BC Hydro is investing more than \$3.6 billion (BC Hydro Service Plan, 2009/10-2010/11) over the next two years to upgrade its dams and other public power infrastructure.
- In anticipation of increased demand, BC Hydro is adding capacity to the Revelstoke Dam and Generating Station. Revelstoke Dam is the most cost-effective energy source available to BC Hydro. This project will add about 500 megawatts of power, which will increase capacity at Revelstoke to 2,480 megawatts. As well, BC Hydro plans to add 1,000 megawatts of capacity with two new turbines at the Mica dam.
- Capital investments on several other sites are also proposed: Peace Canyon Stator replacement, GM Shrum Stator upgrade, Aberfeldie Dam Redevelopment and Coquitlam Dam Improvement Project.
- These capital projects will increase reliability and produce additional capacity for meeting B.C.’s power needs.
- BC Hydro has completed Stage 2 consultation of the Site C project on the Peace River. If built, this project would produce about 4,600 gigawatt-hours of electricity annually – enough for 460,000 homes – which is about 10 per cent of the electricity produced annually at BC Hydro’s existing hydroelectric facilities.

Claim: B.C. ratepayers are paying the capital costs of new power projects being built by private energy developers through Electricity Purchase Agreement contracts with BC Hydro, and are paying as much as double the current energy market rates.

Fact: Price protection and energy supply is assured within the contracts between BC Hydro and an independent power producer.

- Price stability can be predicted over the term of the contract. The price of electricity on the spot market can be volatile. Long-term contracts with power producers bring certainty and a guaranteed price.
- BC Hydro runs competitive procurement processes which result in the lowest cost projects. The resulting contracts are reviewed by the BC Utilities Commission to ensure they are in the ratepayers’ interest.
- The cost BC Hydro pays for new power supply from IPPs is similar to that being paid in other jurisdictions for new supply.
- Building new power projects is more expensive today than it was several decades ago. It costs more, not because they are IPPs, but because they are new projects. Similarly, a new home or vehicle costs more to build today than it did in the 1960s or 1970s.
- Since 1998, BC Hydro rate increases have remained below the rate of inflation and well below those of similar service providers (BC Hydro Service Plan, 2009/10-2010/11). Ratepayers still enjoy some of the lowest rates in North America and government is committed to maintaining that competitive advantage.

Claim: The government wants to privatize BC Hydro and sell all of its assets.

Fact: BC Hydro and its assets are not being privatized or sold.

- The BC Energy Plan released in 2007 reaffirms the government's commitment to public ownership of BC Hydro and its assets while broadening the supply of available energy.
- The BC Hydro Public Power Legacy and Heritage Contract Act and the Transmission Corporation Act require that our public power legacy be maintained.
- This government has also established the Heritage Contract in Perpetuity. This benefits ratepayers by continuing to receive low-cost electricity for generations to come and helps keep rates among the lowest in North America.

Claim: Bill 30 was passed to put an end to meaningful local input into the approval of private power projects on Crown land. These projects are impacting rural communities in a negative way and there is not enough consultation with communities. These projects are also being 'fast tracked' with minimal environmental review.

Fact: Local input is still requested in the application process and the review of power projects, regardless of size or ownership, and is comprehensive in scope.

- When a proponent wants to develop a hydroelectric project, they must apply for a water license and a Crown land license, which grants them the right to construct their projects on Crown land and to use the water subject to the terms and conditions specified in the license.
- The project application is made available for review to agencies, local governments, First Nations and special interest groups for feedback. This feedback is used by the permitting agencies when considering whether to approve the application and in setting conditions for any approvals.
- Any run-of-the-river project must follow a multi-step process for development, and for projects of over 50 MW in size this includes an Environmental Assessment Act process.
- Requirements include, but are not limited to:
 - A land tenure permit for projects situated on Crown land. This requirement falls under the Land Act;
 - Application for a water license (which falls under the Water Act) for any run-of-river projects using water;
 - Projects other than run-of-river will require different permits, depending on the type (i.e. wind, biomass, geothermal, etc);
 - Consultation with First Nations.
- Considering the size and scope of a project, there could be no fewer than 11 provincial approvals that must be attended to when considering an IPP permit. As well, there could also be as many as six federal departments that would have to approve an IPP, if federal approval is needed (Ministry of Agriculture & Lands, Independent Power Production in B.C. – A Guidebook for Proponents, http://www.al.gov.bc.ca/clad/IPP_guidebook.pdf).
- Water licenses are for fixed terms and after the term expires, the IPP holding the license no longer has any rights to use the water without obtaining a new water license. Granting fixed terms on licenses ensures that the Province retains control over the water resources, while ensuring that IPPs can meet their contractual obligations to deliver power to BC Hydro.

Claim: B.C.'s rivers and streams are being exploited by these run-of-river projects and will be privatized. Once an American IPP or another foreign entity owns them, they will control our river and stream systems and that provision will be guaranteed under NAFTA.

Fact: IPP projects are not new – they have been contributing clean energy to the provincial power grid since the late 1980s. Between 1996 and 1997, numerous IPP projects were announced by the then-government.

- Rivers and streams will continue to remain in public hands – IPPs do not own them.
- There are mandatory time limits on water power licenses to ensure ownership of our rivers and waterways remain in public hands. Prior to changes made by the current government in 2003, water power licenses were issued with no expiration date.
- IPPs receive water licences of 40 years, and when those end, so do the water licenses and the land tenure rights. A company would have to re-apply to have the water/land tenure license renewed in order to keep operating.
- If power producers want to use water systems for a run-of-river project, they must pay water rental fees that typically can amount to significant revenue to the Province over the life of a project.
- This arrangement can be compared to what a forest company does – it pays the government ‘stumpage fees’ to access timber on Crown land through a 25-year lease arrangement with the option of renewal after 25 years.
- NAFTA does not prevent government from regulating its water resources, or determining whether or not to issue a licence.

Claim: When the long-term contracts with IPPs expire with BC Hydro, these IPPs will be free to export their power to the U.S. This will result in BC Hydro having to bid against U.S. buyers and be forced to increase our consumer rates in order to support those bids.

Fact: B.C. has always been an exporting province and our natural resources are the foundation of our economy. For decades, B.C.'s resource-based exports have supported jobs and wealth creation in the Province. IPPs have been able to export power to the U.S. and elsewhere since the 1993 Long-Term Firm Electricity Export Policy. However, there has not been significant export activity by IPPs due to a number of factors:

- Availability and cost of transmission to the U.S.;
- Challenges in marketing intermittent supply from projects such as wind and run-of-river;
- The available opportunities to sell power to BC Hydro.
- When a water license expires, it will be up to the government of the day to decide whether or not the license should be renewed.

Claim: Critics claim that the National Energy Board and Stats Canada data say that BC Hydro has been a net exporter of energy for seven of the past 10 years yet BC Hydro's own data says it has been a net importer – why the difference?

Fact: Critics are mistaken in their interpretation of the National Energy Board (NEB) and Stats Canada data on electricity matters.

- BC Hydro, StatsCan and the NEB use different data sets. BC Hydro's information shows it has been a net importer of electricity in seven of the past 10 years. BC Hydro's data shows that it has had to purchase up to 12 per cent of domestic requirements during this period.
- StatsCan and the NEB include contribution numbers from other utilities and generators, like Fortis BC, Columbia Power and Teck. They also report at the Canada/U.S. border and do not include transactions between BC Hydro and Alberta.

Claim: There are almost 1,000 water licences staked on rivers throughout B.C. and it's a gold rush of private power producers taking over B.C. resources.

Fact: As of September 2008, there were about 550 water power applications outstanding in the Province; however, many of these are inactive.

- As of Dec. 31, 2008, only 88 IPP licenses have been issued that are still current (61 since 2001) and 154 applications have been refused or abandoned. Of the 88 licenses issued, 26 of them were prior to May 2001; 62 since 2001. In other words, one-quarter of these were approved prior to 2001.
- A total of 47 IPPs are operating all around the province and 15 of them have been generating green electricity for over 10 years. (32 of the 47 IPPs are run-of-river) (Ministry of Environment, Water Stewardship Division stats)
- Comparing water licence applications to operating IPPs is like comparing mineral claims to operating mines – there are more than 50,000 mineral claims staked in B.C. but only a handful of operating mines. It does not take into account the enormous environmental, financing, and other regulatory processes power projects need to pass before they can become a reality.

Claim: There are literally hundreds of run-of-river IPPs operating in the Province. These projects offer nothing to rural communities.

Fact: This is false. There are currently 47 operating IPPs around British Columbia, 32 of which are run-of-river, and the economic benefits are provincewide, especially in rural communities.

- Total construction employment from IPPs that started construction since 2001 is about 4,000 person years. There is also indirect employment in the way of supporting community facilities. (Industry employment figures, as of Feb. 2009 (IPPBC))
- According to industry figures, IPPs have already invested \$2.4 billion in B.C. with an additional \$6.8-billion currently ongoing or expected in connection with existing calls for power.
- There are more than 1,100 workers employed on 47 operating projects and another 18 projects currently under construction. Current construction represents over \$2 billion of private investment. (Industry employment figures, as of Feb. 2009 (IPPBC))
- Not all IPPs are run-of-river projects. Current IPPs include natural gas fired, heat recovery and biomass generation. Future projects could include wind, geothermal, ocean and solar electricity projects.

Claim: First Nations do not support independent power projects.

Fact: First Nations are involved in many IPP projects around the Province.

- The Squamish First Nation is involved in the Furry Creek and Ashlu run-of-river projects. Ashlu will become the property of the Squamish First Nation at the end of their power sales agreement with BC Hydro.
- The Hupacasath First Nations is an example of a proponent that has an electricity purchase agreement with BC Hydro for their China Creek Project on Vancouver Island, which is in service, and they are looking to another agreement with BC Hydro for a further project on Corrigan Creek.
- The Taku Land Corporation also has an electricity purchase agreement on Pine Creek and another one on Kwoiek Creek which involves the Kanaka Bar Indian Band.
- The Klahoose on Cortes Island signed an agreement with Plutonic Power for a benefits sharing arrangement for the East Toba River and Montrose Creek IPP projects. Plutonic will pay royalties to the Klahoose for the next 50 years and will also see jobs and training offered to band members.
- Nai Kun Wind Energy and the Haida Nation have formed a commercial partnership to operate and maintain Nai Kun's proposed wind farm in Hecate Strait. The agreement formalizes a relationship that's been developing since 2002.

-30-

Media Jake Jacobs
contact: Public Affairs Officer
 250 952-0628
 250 213-6934 (cell)

For more information on government services or to subscribe to the Province's news feeds using RSS, visit the Province's website at www.gov.bc.ca.