GREEN ISLAND ENERGY POWER PROJECT
GOLD RIVER, BC
(VIGP03)

CLOSING ARGUMENTS

RESPECTFULLY SUBMITTED TO THE BRITISH COLUMBIA UTILITIES COMMISSION AS AN INTERVENOR TO VANCOUVER ISLAND ENERGY CORPORATION FOR A CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY FOR THE VANCOUVER ISLAND GENERATION PROJECT

July 22, 2003

Green Island Energy Ltd.
Closing Arguments to VIGP

We wish to commend the Commission, the Applicant and the Intervenors for the work that they have done in this hearing process to help evaluate the on-island power supply issues. These issues have a significant impact on the ratepayers of British Columbia and are vital to the industrial economy of Vancouver Island.

The applicant's VIGP proposal is a high capital cost facility that puts the ratepayer of British Columbia at tremendous risk to the volatility in the cost of natural gas. However, we understand that in order to make Vancouver Island more self-sufficient in terms of energy production, some gas-fired generation from either the VIEC or Norske proposals is probably required.

The shortfall of on-Island generation is approximately 1500 MW, which means that BC Hydro must seek to purchase energy from other lower cost producers. This approach will help protect the ratepayers of Vancouver Island by minimizing their exposure to high, unpredictable energy costs, while at the same time solidify the governments efforts to attract new power generation capital from the private sector.

There will never be a better time to secure low cost power than now. It seems logical that BC Hydro should seek to source as much low cost on-island generation as it can find.

In its closing arguments, the applicant made a number of comments on the Green Island Energy project. We agree with comments made by VIEC that acknowledge the advanced state of readiness, the quick delivery dates as well as our reasonable pricing. There are other comments made by the applicant that we believe require some clarification.

As an Intervenor to the CPCN for the VIGP Proposal we have the following comments in our Closing Argument.

I. The Green Island Energy Project

a) Scope of Project

Green Island Energy Ltd. has proposed to sell the output of phases 1 and 2 of its project at Gold River BC. The massive industrial site, deep water port, fuel supply, and existing 250 MW transmission line capacity have the ability to support additional phases of power development, however these future phases are still in the preliminary design stage and therefore were omitted in the GIE submission to the BCUC.

b) State of Readiness

Green Island Energy will utilize many of the existing facilities that were operated for many years by the Gold River Pulp Mill. Because the site, and specifically the power generation infrastructure, have been actively maintained, the modifications required to bring the facility into service are relatively small and can be concluded in a time frame that will allow for delivery of 105 MW power in 2004. In our view, GIE is the most advanced project of any currently being proposed for Vancouver Island.

c) Size of the Project

In the final argument submitted by BC Hydro, a reference was made to the fact that the Green Island Energy Project is not large enough (105 MW) to solve the power supply demands of Vancouver Island. While we do not contest this statement, we hope it is the intent of the BCUC to secure as much low cost, privately funded, green power as possible before granting a CPCN for a large scale, publicly funded, fossil fuel dependant power plant like VIGP.

The Green Island Energy Project complements all other projects submitted to the BCUC (including VIGP) and therefore, should be considered as an immediate part of the solution to the power needs of Vancouver Island.

d) Pricing

Green Island Energy has provided in its evidence a firm price that is at least 20% lower that the stated cost of the VIGP proposal.

e) Delivery dates

Green Island Energy is prepared to meet delivery dates that are 2 years ahead of those forecasted for the VIGP proposal. Phase 1 (45 MW) is scheduled for delivery in 1st Quarter 2004 and Phase 2 (60 MW) is scheduled for delivery in 4th Quarter 2004. Quick in service dates like these allow for GIE to be combined with other near term projects to effectively meet the immediate supply requirements for Vancouver Island. Thus avoiding the potential of more blackouts and capacity shortages in the future.

f) The site is unique

The Gold River Industrial site is one of a kind and already built. It has excellent deep sea docks that allow for reliable fuel supplies from a large market area, a dedicated transmission facility that is in excellent condition and connects directly into the hub at Dunsmuir, plenty of fuel storage space and handling equipment, two boiler units capable of generating 105 MW of power, excess water for steam generation beyond 105 MW, multiple cooling ponds and water treatment facilities, and an experienced

and available labor force still residing in the town of Gold River (many of whom used to work in power plant on site).

g) Transmission

The Green Island Energy project helps the electrical load balance for the Island by keeping the power we generate in the North region where large industrial users currently consume significant amounts of energy. This in turn reduces the amount of power that BC Hydro must send North and allows BC Hydro to keep an extra 100 MW of power in the South and Central Island regions were energy demand is increasing. The GIE project adds stability to the utility and improves voltage control to the system through VAR regulation. The GIE project will also increase the BC Hydro fault levels for the north feeders, thereby improving the stiffness of the system through faster fault clearing and power quality improvement.

GIE will be online years before any other new generation project, so the transmission constraints suggested by BC Hydro will not be the result of GIE (it is believed that the current system can handle all of GIE's power), but rather the predicted output of various other power projects slated to come online several years into the future.

In terms of net power, the GIE project will be a positive to the system. Our project is located on Vancouver Island where there is an immediate need for more energy and GIE can supply a significant portion of this power in less than a year without any upgrades to the existing BC Hydro transmission system.

h) Diversity of Generation

The VIEC proposal will make Vancouver Island dependent on Natural Gas. Adding GIE's Phase 1 and 2 projects to the on-Island generation portfolio will lessen such dependence. As a thermal biomass project, the power generated by Green Island Energy is predictable and not subject to the seasonal fluctuations of hydroelectric power or the gas price increases that typically occur in the winter months. GIE adds diversity to on-island generation and helps stabilize power prices for the ratepayer.

i) Green Island Energy has provided project details.

In line 200 of its closing arguments, BC Hydro states that proponents of alternative sources of generation lack detail. This comment was not directed at GIE specifically, but rather the list of interveners submitting alternative power proposals to the BCUC. As one of the intervenors included in the applicants statement, it should be pointed out that GIE has been careful to provide a significant amount of detail about our project. In fact, the evidence we provided to the BCUC hearing (Green Island Energy Submission, May 26th 2003) utilized the document information template that was provided by BC Hydro in its recent Customer Based Generation

(CBG) and Green Power proposal requests. In addition to this document information GIE also provided information on pricing, fuel inventories, project scheduling and operator qualifications.

II. Pricing

The price that we have stated in our evidence to the commission is likely the lowest price new generation on Vancouver Island.

GIE is prepared to provide firm power from phases 1 and 2 at that price to any utility in the Province of British Columbia.

We believe that it is important for the commission to understand the rationale behind our pricing. Part of that rationale comes from our corporate commitment to the community of Gold River, where our project is located. We hope to speed up our plans to develop our large industrial site to accommodate a variety of industrial users. By developing a power generating facility in Gold River we can encourage other complementary businesses to locate on site, thereby providing additional economic activity and employment for this outpost community.

Selling power from phases 1 and 2 will allow us to address some of the immediate power needs on the island, as well as foster economic resurgence for the town of Gold River and surrounding communities. Additional phases of the power project, which are still in the design stage, would likely be offered at a market rate.

III. Call for Tender (CFT)

Green Island Energy will respond to the Call for Tender (CFT) provided the process is not delayed. The CFT will likely receive 6 solid responses. Quick CFT will properly assess the list of projects capable of generating firm power within the next 2 years. BC Hydro's estimate of 5-8 million dollars in costs to conduct a CFT seems excessive given the small list of proponents capable of bidding into an expedited CFT.

In reading final arguments and public comments made by BC Hydro, Green Island Energy has the impression that they do not take any of the proposals seriously and are making a case for why the only option for Vancouver Island is VIGP. We are concerned that BC Hydro's mind is made up and that a CFT may be viewed as simply a formality before proceeding with VIGP.

Given the work that has already been done by the various proponents involved in the BCUC hearings, we do not believe a pre-qualification round is

required for this CFT. Legitimate projects capable of being online by 2006 should already have sufficient information to bid into a CFT.

The CFT must be conducted independently of BC Hydro. If BC Hydro gets to set the criteria, conduct the review, bid into the competition and make the final selections, it would be impossible to avoid the perception of conflict. Furthermore, this scenario would serve to erode the confidence that private investors have in the Government of British Columbia's Energy Plan.

IV. Request to the Commission

Green Island Energy continues to believe that a fully independent process best serves all parties. We propose that the BCUC take the following course of action:

1. Conduct a Call for Tender for on-island generation before making a decision on the Certificate of Public Convenience and Necessity for the applicant.

2. Ensure that the CFT be conducted fairly without conflicts of interest.

3. Ensure that the CFT is managed with a goal of acquiring power and not disqualifying legitimate projects.

4. Ensure that the CFT secures the best price of energy for the rate-payer.