

British Columbia

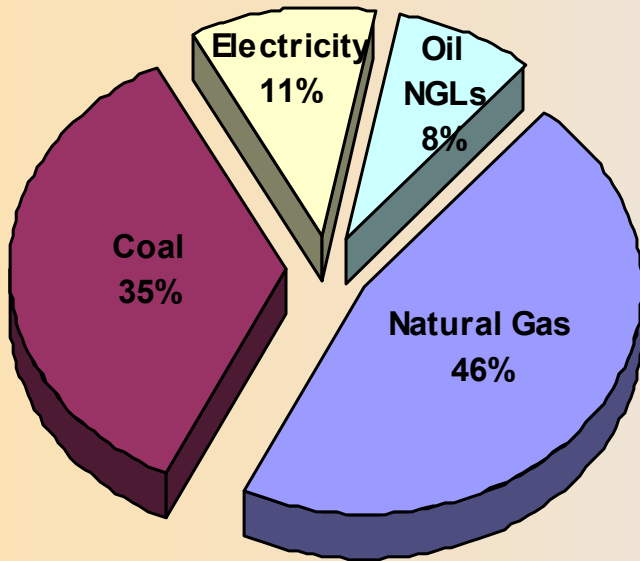
Energy Policy Update

May 4 - 7, 2003

Banff, Alberta

BC Energy Picture

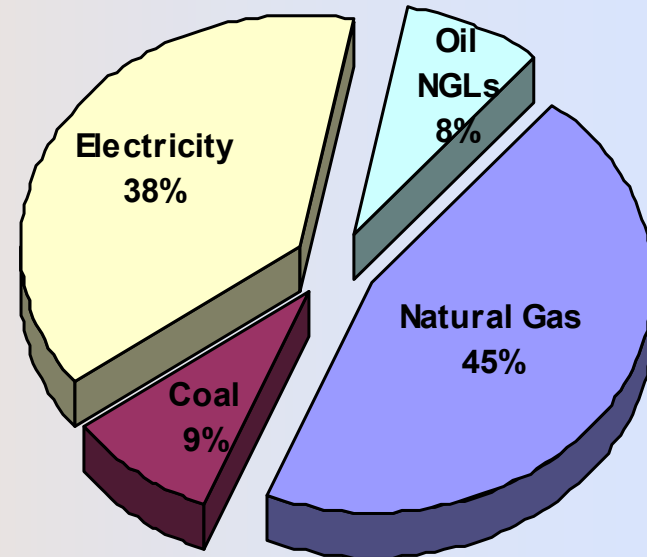
Energy Production



Natural Gas (50% exported)

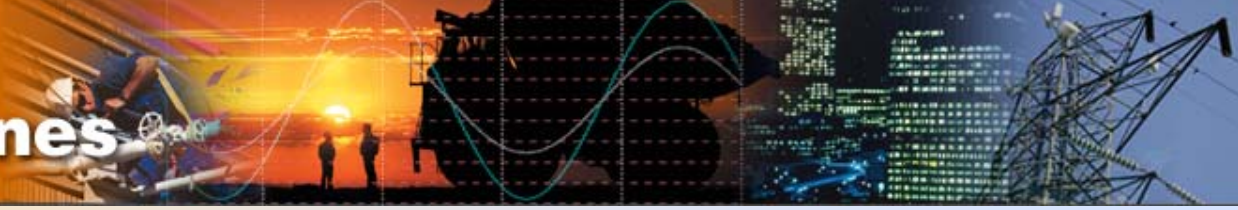
- ✓ Coal (100% exported)
- ✓ Electricity (net importer in 2000 and 2001)

Energy Annual Revenue



Government Energy Revenue

- ✓ 2000/01 >\$3 billion
- ✓ 2002/03 Forecast \$2.1 billion



Characteristics of BC Electricity

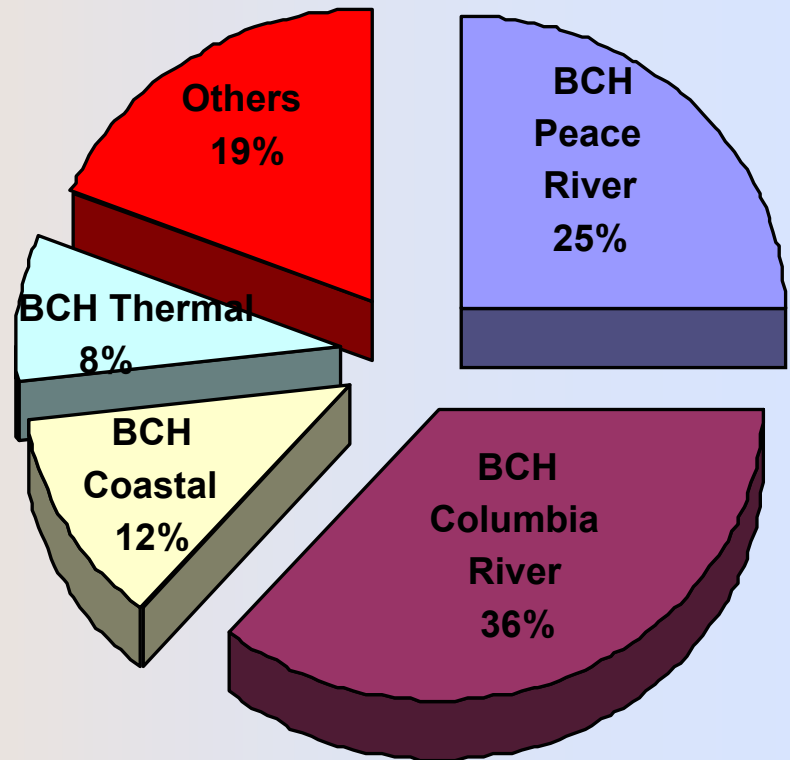
- ✓ Public ownership
 - BC Hydro generates 80% of electricity
- ✓ Large dams and flexible hydro-electric system
- ✓ Rates based on cost of service
- ✓ Bilateral contracts
- ✓ Balanced schedule
- ✓ Trade

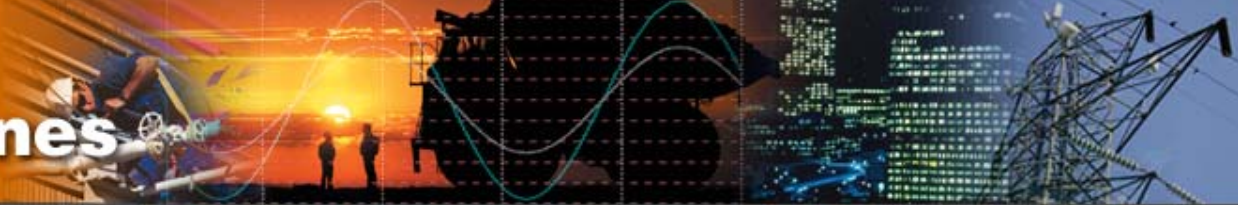
BC's Electric Capacity

Total BC System 13,900 MW

- ✓ BC Hydro 11,000 MW
- ✓ IPPS/Ind/ANC 2,900 MW

- Primarily hydro based
- BC Hydro completed last major addition in 1982

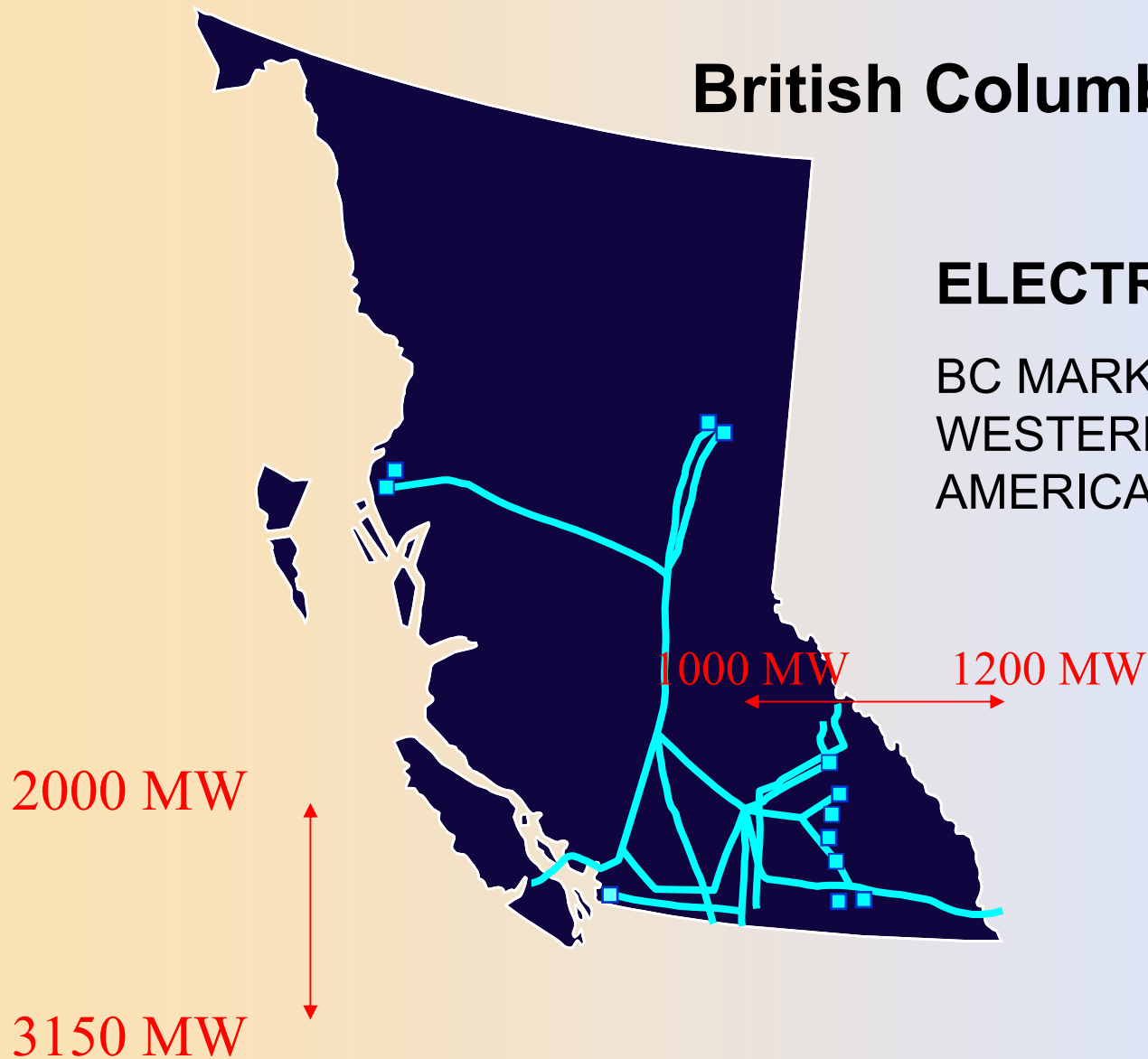


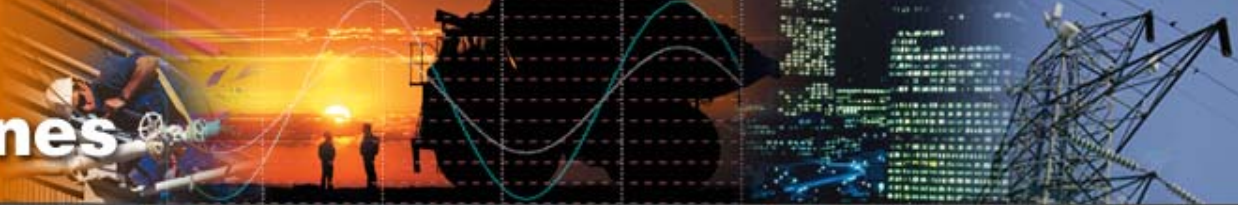


British Columbia Energy

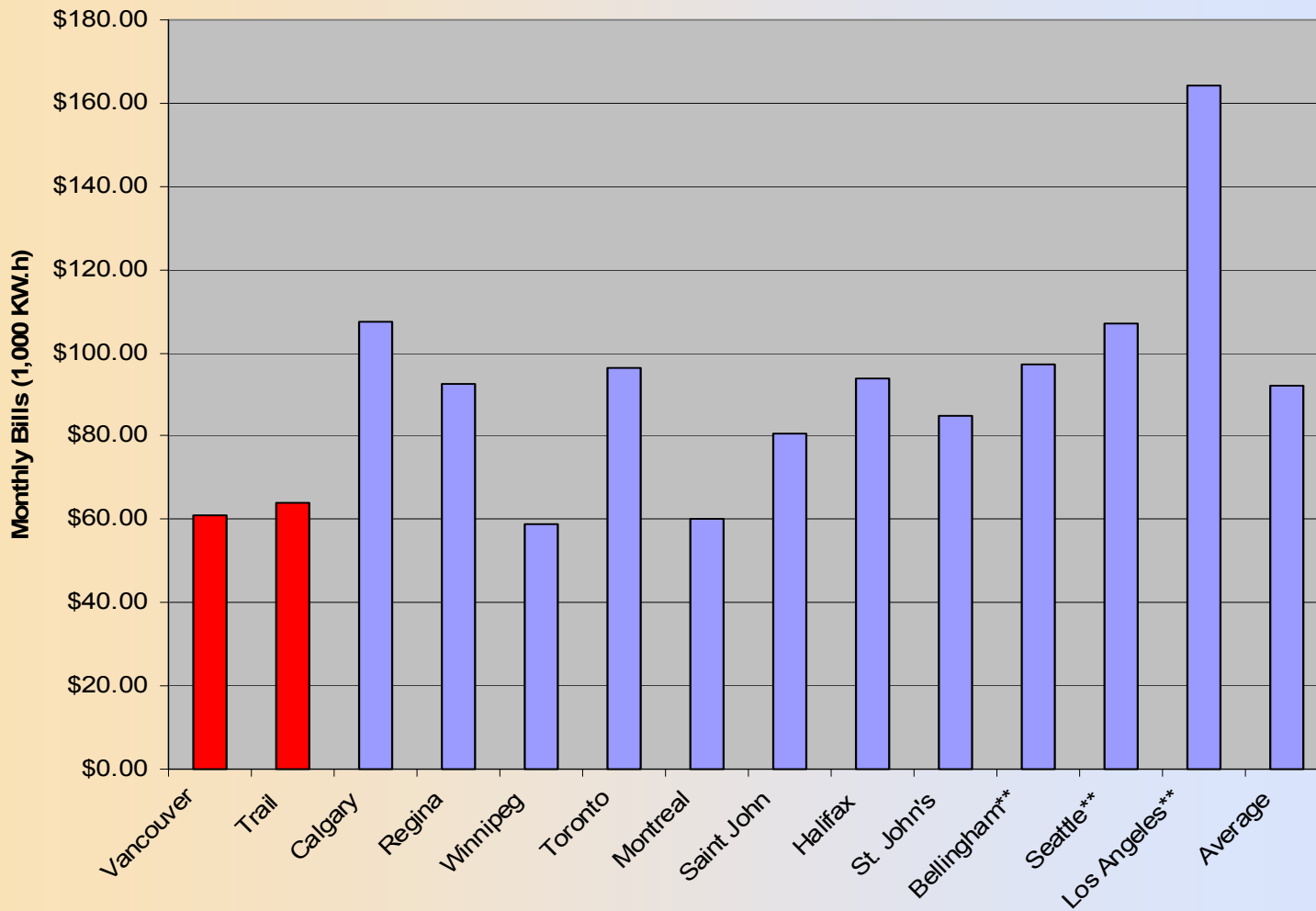
ELECTRIC SYSTEM

BC MARKET IS
WESTERN NORTH
AMERICA.

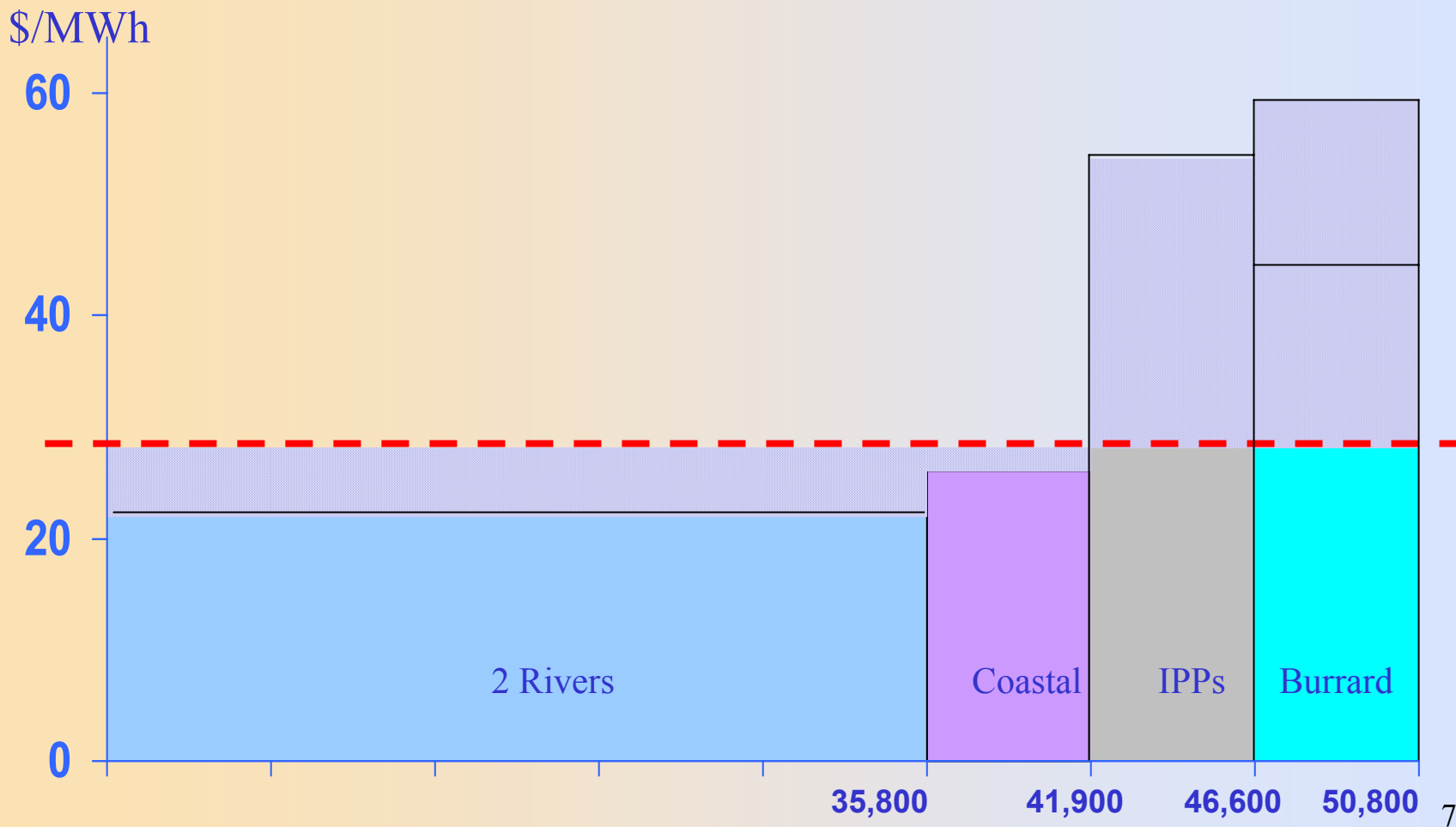




BC Electricity Pricing



Cost of Supply



Opportunities

- ✓ Natural Gas: doubling production in 10 years.
 - 30.5 Tcf (marketable, established) remaining in NE BC
 - Similar amount in other onshore basins
 - Coal-bed methane: 90 Tcf ultimate potential
- ✓ Coal: 20 billion tonnes of thermal coal
 - 3 billion tonnes could be mined economically with today's technology, enough to supply BC's current electric needs for 120 years

Opportunities

✓ **Resource potential**

- Small hydro: 2,770 MW
- Resource Smart: 600 MW
- Wood residue: 250 MW
- Site C 900 MW

✓ **Demand**

- BC annual electricity demand increasing by 1.2 % to 1.8%
- US electricity demand to increase by 45% over next twenty years

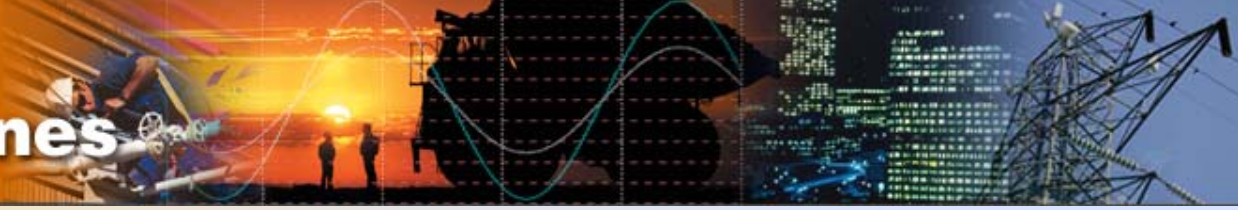
✓ **Low-cost electricity**

- Flexible hydro-electric system

✓ **Private sector capacity**

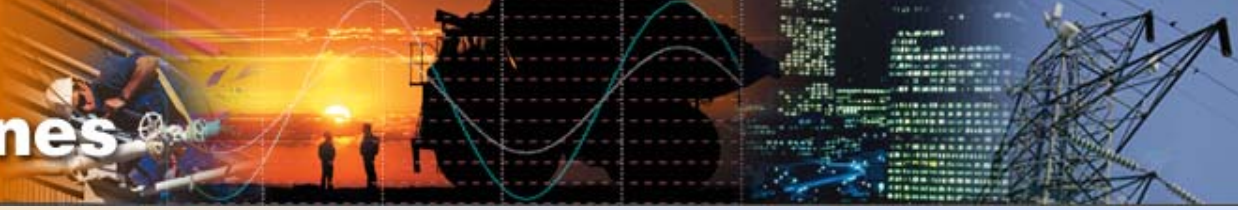
Challenges

- ✓ Cost-effective development of resources to meet need
- ✓ Aging infrastructure, high reliability requirements and economic growth
- ✓ Evolving electricity market structure in the U.S.
- ✓ Monopoly



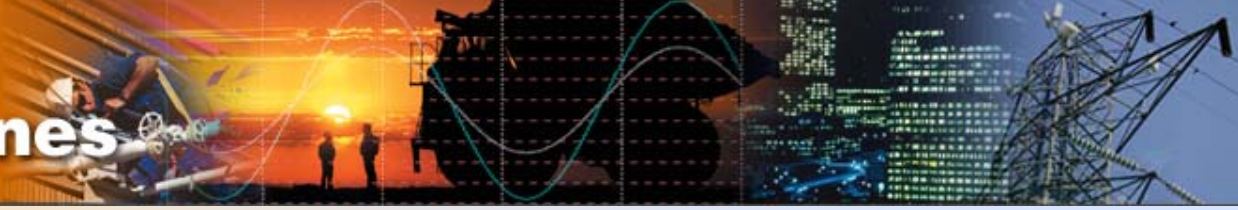
Energy Policy Objectives

- ✓ Low rates and public ownership
- ✓ Secure, reliable supply
- ✓ More private sector opportunities
- ✓ Environmental responsibility



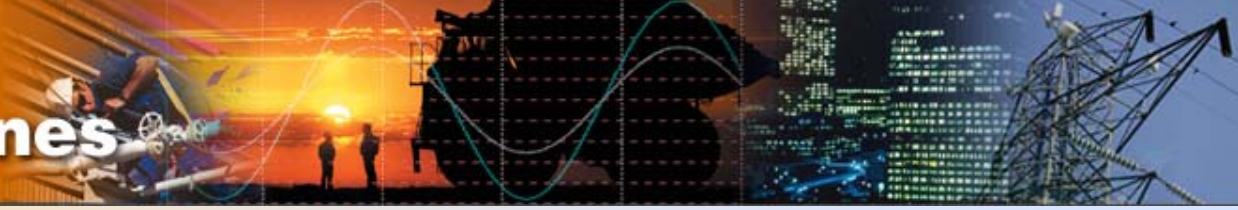
Energy for Our Future: Actions

- 1.* Heritage Contract
 - Between distribution and generation line of business
 - To be legislated; lock in the existing assets
 - BCUC inquiry: March 2003 Terms of Reference; report due October 17, 2003
2. BC Hydro ratepayers continue to benefit from trade
3. Ongoing public ownership of generation, transmission and distribution
- 4.* Outsource BC Hydro support services where costs can be reduced
 - Accenture



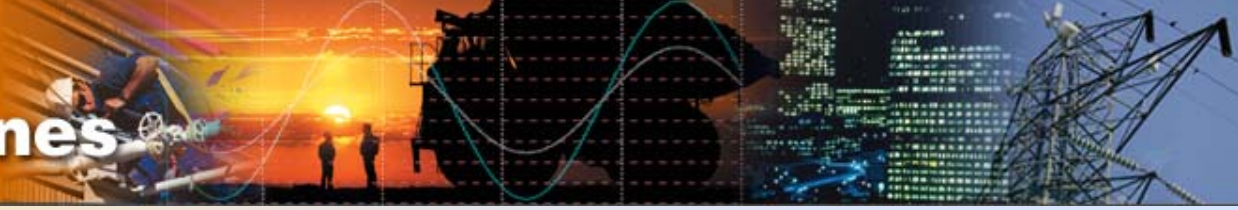
Energy for Our Future: Actions

- 5.* BC Utilities Commission regulation of BC Hydro Rates
- 6.* BC Utilities Commission to review Vancouver Island Generation Project
 - CPCN application submitted March 12, 2003
7. Maintain high standards of reliability and energy security
- 8.* BC Hydro distribution separate line of business



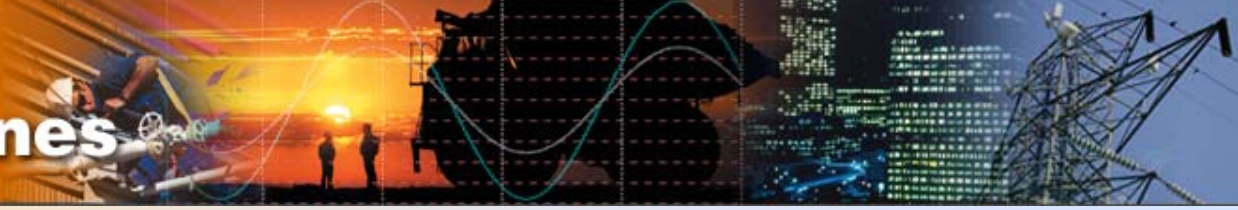
Energy for Our Future: Actions

- 9.* Least cost new supply acquisition overseen by BC Utilities Commission
10. Ongoing encouragement of coal bed methane and other unconventional resources
- 11.* New dedicated team to pursue offshore oil and gas
 - Headed by Jack Ebbels, formerly Deputy Minister of Energy and Mines
- 12.* Strengthened BC Utilities Commission



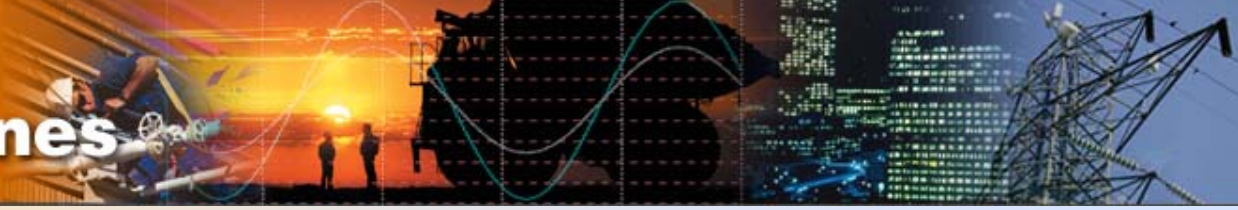
Energy for Our Future: Actions

- 13.* Reliance on private sector for new electricity supply
- 14.* Large electricity customers able to choose supplier
 - Terms and conditions included in BCUC inquiry
- 15.* New BC Hydro Transmission Corporation
 - RTO-West
 - Operate and manage asset
- 16.* BC Utilities Commission regulation of transmission



Energy for Our Future: Actions

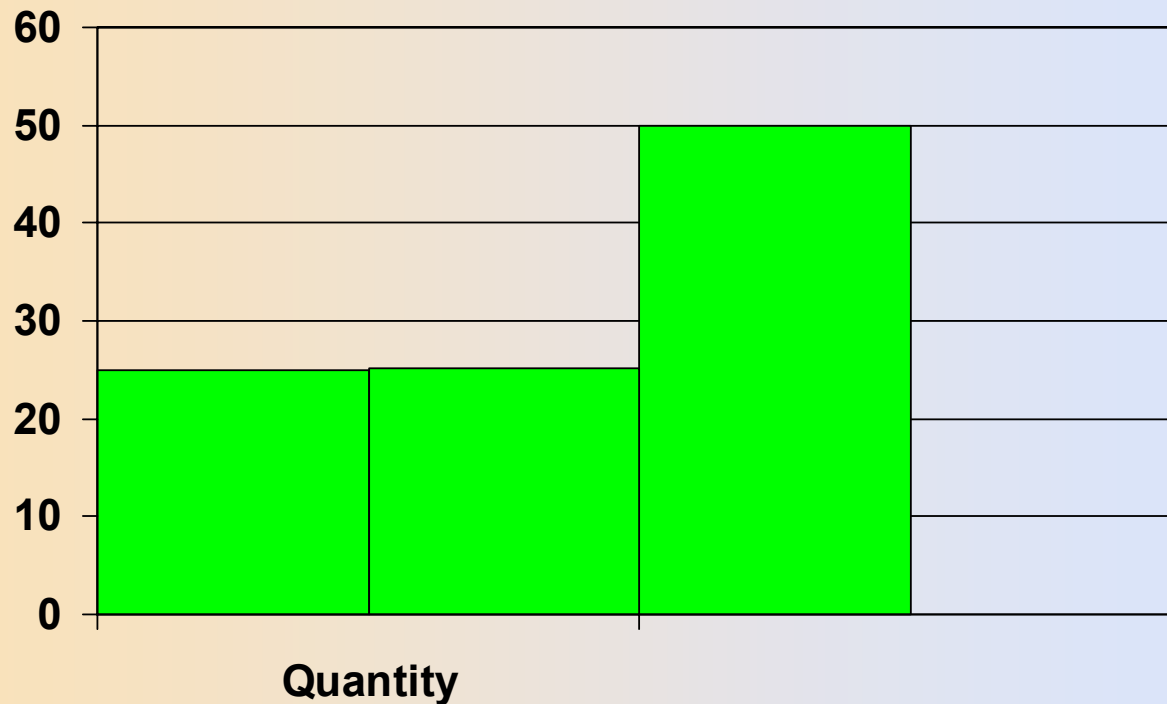
17. Continued support for natural gas industry
18. Improved access to oil and gas resources
- 19.* Retail natural gas customers to have choice of supplier
- 20.* Voluntary 50% BC clean electricity target

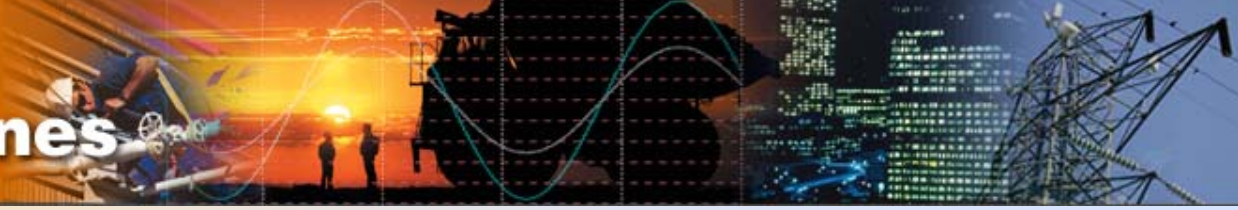


Energy for Our Future: Actions

21.* New Rate Structures to Encourage Conservation

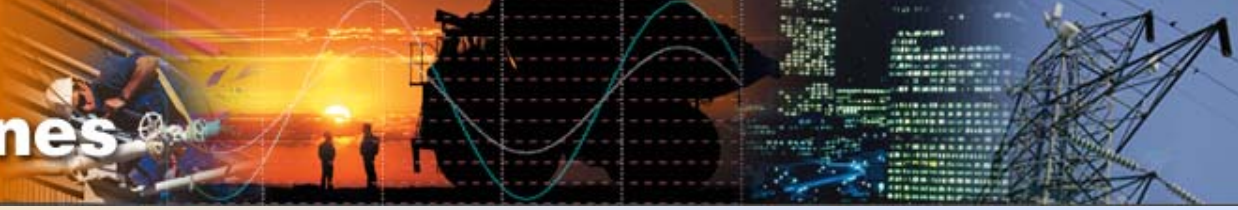
- Included in BCUC inquiry





Energy for Our Future: Actions

- 22.* Energy Efficiency Act updated
- 23.* Eliminate disincentives for utilities to invest in conservation
- 24. Air Emission Strategy
- 25. Streamlined environmental assessment/licensing processes
- 26.* Emission guidelines for coal



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