
2008 Long Term Acquisition Plan



Appendix F13

**Comparison of 2008 Resource Options Update to
the F2006 Call for Tender**

1.1 Introduction

During the 2008 Long-Term Acquisition Plan (**LTAP**) Resource Options Update (**ROU**) engagement process, a number of interested parties raised questions with respect to the relationship between ROU Unit Energy Costs (**UECs**) and Independent Power Producer Costs and whether the resource option UEC estimates reflect the results from the call processes.

In the past, the results from the 2005 Resource Options Report were lower than the bid prices from the F2006 Call as they did not capture the construction and materials cost increases experienced during the period the 2005 ROR was filed and bid prices were received. When BC Hydro updated resource option capital costs for an information request in the 2006 Integrated Electricity Plan/LTAP process by +20% and +40%, it found that its resource options estimates were comparable to the bid prices seen in the F2006 Call.

Notwithstanding the cost escalations which the market may experience between resource options updates, LTAP filings and Calls, there will be a difference between resource options cost estimates produced for planning purposes and actual site specific project bid costs provided by tenders in Call processes.

During the 2008 LTAP engagement process, BC Hydro committed to compare the results of the F2006 Call to the 2008 LTAP ROU to identify the magnitude of the possible difference between 2008 LTAP ROU costs estimates and Call results.

A summary of the plant gate 2008 LTAP ROU UECs and F2006 Call levelized bid prices is presented in the table below. For purposes of comparison, the F2006 levelized bid prices, determined using a 6% real discount rate, were escalated to 2008 dollar values. In general,

- the 2008 resource options estimates are comparable to the bid prices seen in the F2006 Call.
- The 2008 LTAP ROU UECs show a larger range of costs for individual resource options.

- The plant gate levelized bid prices in the F2006 Call tend toward the lower end of the cost ranges obtained for the 2008 LTAP resource options.

The biomass plant gate cost range in the F2006 Call is narrow and occupies the middle of the 2008 ROU biomass cost range. In the 2008 LTAP ROU, the biomass resource option category contains Biogas and Municipal Solid Waste options which may not be reflected in the F2006 Call bid price results.

The plant gate prices for the wind projects presented in the F2006 Call bid prices did not included as broad a regional range as for the 2008 ROU, and occupy the lower range of the costs obtained for the 2008 LTAP resource options.

Comparison of Resource Price Ranges - 2008 LTAP ROU vs. F2006 Call Results

Resource Options	2008 LTAP ROU ⁶	F2006 ^{5,6} Call Results
	UEC \$/MWh Plant Gate 6% Real Discount Rate	Levelized Bid Price \$/MWh Plant Gate
Hydro ^{1,2}	54-108	58-99
Biomass ³	44-158	78-95
Wind ⁴	70-155	74-77

Notes:

1. Defined as run-of-river projects with no storage (KWL report BC Hydro website: www.bchydro.com/rx_files/info/info54943.pdf).
2. Contains all awarded F2006 Call for Power hydro projects.
3. 2008 LTAP biomass values include Biogas, Municipal Solid Waste, Sawmill, Roadside and Standing Timber.
4. 2008 LTAP values include all wind regions: Peace, North Coast, Vancouver Island and Southern/Eastern Interior.
5. Adjusted to F2008 \$ assuming CPIs: 2.0% for 2006 and 2.2% for 2007.
6. Values presented in above table are not "adjusted". 2008 LTAP ROU values from LTAP Chapter 3 Table 3-21. F2006 Call Results as summarized in Figure 13 of "Report on the F2006 Call for Tender Process Conducted by BC Hydro, August 31, 2006".