

**Richard Neufeld, Minister of Energy and Mines**  
**Speech to Independent Power Producers**  
**Vancouver**

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Well, thank you very much for that kind introduction, Steve (Steve Davis, President IPPBC Organization.) I think somebody slipped you my notes, but I'll try to expand on some of those issues you touched on a little bit more as I go through my remarks.

I bring greetings from the Premier of the province of British Columbia, Gordon Campbell. I believe he is, probably along with all my other colleagues, working hard at a place called Surrey-Panorama. We have a by-election going in Surrey at the present time, and, from what I've seen at some of the by-elections I've been to, they're dragging people down to the polls to vote. That's what you have to do sometimes to get people to come out and strike the ballot for the person that they want to win.

Last year when I was here, Barry Penner spoke, just after a back operation, and he could hardly walk around. That shows the dedication of my colleagues as it relates to the Independent Power Producers across the province of BC. He's a great supporter of yours and constantly reminds us of the importance of the Independent Power Producers.

You've invited me back for the second annual meeting, so that means I guess we did some things right. And we've got more things to do - no doubt about that - as we move forward.

I just want to comment a bit on all the leaves I see here today. I'll tell you a little story from home; I live on acreage in northeastern B.C. in that great town called Fort St. John. Of course, the leaves have all fallen, and it was just right when the leaves are crispy, and you can grind them up with your lawnmower and bag them and get them off the grass. I've got about five acres and probably about two acres of grass and a lot of trees. So I've got a lot of leaves to look after.

I had my little Honda tractor out in the yard, and I'm happily driving around and mowing up the leaves. And the first thing that happened was the clutch went out of the tractor. That's not so bad I thought, I've got another tractor; I'll go get that one. I went and got my bigger tractor. It

doesn't bag it, but it's a big mower, about a seven-foot wide behind an 18-horse diesel-powered tractor. I could blow the leaves over to the side.

I'm driving around with this big tractor, right after we had a large snowfall, and quite a few tree limbs had broken off. There were branches all over the place. If any of you have walked through the bush - and I'm sure there's quite a few of you here that have - in the fall when there's no leaves and the twigs are kind of frozen, they hit you pretty hard in the face. So I'm going along, and all of a sudden I got a great big stick right smack in the side of the face, threw my glasses off.

I can't see anything without my glasses, which were broken. I had to go to the house and get my wife to help me find the glasses.

I got back on the tractor, and I've got a spare set of glasses, so I'm trying to look through these and keep on mowing my grass. I'll be darned if I didn't go about another half an hour, and the transmission went out of my second tractor - all in the same night.

So I had two tractors break down, I broke my glasses, and I didn't get my leaves finished. The snow came; so I guess I'll have to finish it next year. It's just a little story about leaves. I can certainly relate to leaves and the problems that they can bring.

But to get on with this, I really want to thank the leadership of the IPP community. Steve Davis, you've done a wonderful job. You and your group here have done awesome work for a lot of people, as demonstrated tonight. You have about 300 people registered at your second convention. Obviously, I know you've put your heart and soul into it, and you're the type of person that does those kinds of things and have shown really good leadership for the IPP community. That's something I can tell you my Premier and I are really happy about: that there is good leadership shown from the IPP community. So thanks to you, Steve, for doing that.

I'm going to go back a bit in history. We've talked about a by-election, and there was an election in 2001 when we were elected to office under the leadership of Gordon Campbell. We had quite a mess that we came into office in May of 2001. We had an investment wasteland. More people were actually leaving British Columbia than staying. We had businesses

moving head offices out of Vancouver and other parts of British Columbia to Alberta, to Ralph Klein's part of the country.

It was tough to talk to anybody about investing money in the province of British Columbia because investors, the people that bring the money to the table, and the entrepreneurs just didn't feel comfortable with what was going on.

So under the leadership of Gordon Campbell who said initially - through the new era document - that we wanted to bring B.C. to what it should be and could be in Canada.

Gordon Campbell has shown leadership in spades. We have actually taken a province that was living on a credit card, living on our children's future, and brought it back to where we're starting to live on what we actually make today.

And it's not an easy job, I'll tell you, to turn a big ship that's about a \$26-billion-a-year expenditure, that's been heading in one direction for ten years, without a lot of thought given to the decisions being made. To take that ship and turn it around was difficult.

You can have all the political will in the world but sometimes it takes more than that.

It's a credit to the people that work for the province of British Columbia. There are a lot of good people that work for the province of British Columbia. Let me tell you a lot of them lost their jobs not because they were doing poor work or it was their fault. It was just that we couldn't afford that many people. We had to change how we were doing work in the province of British Columbia.

I'm thankful that in my ministry I was able to get a very good deputy minister, one that has been a deputy minister in Alberta, British Columbia. Actually, she's an Alberta girl to start with - from Edmonton. Sheila Wynn has certainly shown great leadership in my ministry in moving a lot forward that you folks are concerned about. So I want to thank Sheila and her group that work in my ministry. It's a small ministry; I don't have a lot of people - 250. Less than 250 people work in my ministry. They're responsible for energy, all energy - whether it's oil and gas, IPPs,

electricity, oil and gas offshore, Columbia Power Corporation, you name it, and Sheila's done a great job of leading it.

To make some of the changes, we made some initial changes right off the bat, and that had to do with taxation. We were constantly told that our taxes were far too high and our regulations were too high. So our Premier, had corporate capital tax eliminated, our corporate tax reduced from 16.5 to 13.5 per cent. We reduced personal income tax, so those that earning \$60,000 and less have the lowest personal income tax rate of any jurisdiction in Canada, including Alberta. We have changed a lot of the taxes and the processes that we apply to business across the province, and to people that work in the province of British Columbia, so we could start getting back what we think we deserve in B.C., and that's a prosperous province.

All those tough decisions, and there were some tough decisions to make, are starting to pay off. I'm going to read you off some of the third-party endorsements that we've had. This isn't from my Premier or from me; this is from third-party folks saying these things.

The Canadian Federation of Independent Business reports small business in B.C. are leading the country in optimism for the fifth quarter in a row. Positive provincial policies are credited, in part, for increased optimism. That's great.

RBC Financial Group expects B.C.'s real economic growth to be up 3.6 per cent this year and 4 per cent in 2005 - well above the national average. That's not bad for third-party endorsement. RBC also predicts B.C. will continue to be Canada's job-creation leader over the same period.

Thanks goes again to your group, Steve, the Independent Power Producers, because you're in that group that are creating jobs, well-paying, family-supporting jobs across the province of British Columbia. I thank you for that.

Stats Can reports that B.C. has created 154,000 new jobs since December of 2001, and employment increased 8.1 per cent over that time - the strongest growth in Canada. Not bad in four years, and we're not quite even four years yet.

CIBC cites an improved labour market, booming housing starts, booming housing sales, and elimination of the deficit as the main indicators for continuing success for the province throughout 2004-2005. These are all positive indicators, and they're great indicators for your business, because as the economy grows and people build houses and move here, and industry moves back here, they consume electricity. Well all know that.

They're going to need new hookups. B.C. Hydro is setting records in residential hookups in the past few years. That's good news. That's good news for you folks, because we're going to need you to generate the electricity.

As I said, we made some tough choices, and they have paid off for British Columbia. Along with the other things that I've talked about, the Finance Minister is estimating that we'll have about an \$865 million surplus at the fiscal year end coming up. That's remarkable - starting from a billions-of-dollars deficit to go that far and have an economy that's doing as well as it and still actually putting more money into health care and education as we move forward.

I think that's remarkable that we've been able to do that, and that's in huge part thanks to the people in the province of British Columbia for coming along with us, taking the challenge under the leadership of Gordon and moving that forward.

Is the job over? No, not by a long shot. There is a lot left to do. We as government have to do a lot of things; you as an IPP community have to do a lot of things. And we're up to the challenge, and I know you folks are up to the challenge, and we want to move that forward.

I talked about turning a big ship around and some of the problems associated with that. Well, it's not just government that has problems turning a big ship around, and I'm not saying we've got the ship totally turned around yet, but it's well on its way. B.C. Hydro, our largest Crown Corporation, also faces that same issue of turning a ship around that's been going in one direction, and that's not an easy thing to do.

In November of 2002 - not quite two years ago - we released the Energy Plan to move B.C. forward to the future. And what a future we have. We

should remember that's just not quite two years ago. In fact, at the end of November it will be two years since we released the Energy Plan.

Tonight I'm also proud to say that the 26 recommendations that were made in the energy plan, developed in the energy plan, almost all have been completed. And the ones that haven't been, we're working very hard on along with B.C. Hydro and BCTC and other folks in the oil and gas industry, to complete that energy plan and move forward. In fact, we'll have a bit of a report card at the back door that you can take with you when you leave. Read it and just see the things that we've been doing with the energy plan as we move forward.

Again, thanks to the IPP community. Steve Davis helped us in putting together the energy plan. They were a part of the recommendations made to the government committee - and my ministry - to create the Energy Plan. That's just great, and now you're helping us carry it out, and that's just icing on the cake, and that's good news for all of us.

I also want to thank B.C. Hydro for the hard work they're doing. All too often it's easy to kick a bureaucrat or a Crown Corporation and say they're doing something wrong. I'm sure B.C. Hydro would agree with me that they've got some things to do yet, but let me tell you, they've worked hard and long to put the energy plan into place.

Bev Van Ruyven is here today. She spoke to you this morning, and I know that she works her heart out for IPP community to try and make sure that they're recognized, that they get what they deserve and that B.C. Hydro adapts to how we can move forward with the independent power producer community into the future.

I want to thank Bev. Her announcement from a 1,000 gigawatt call in May and another one the following year. Isn't that good news? Thank you, Bev Van Ruyven, for making an announcement this morning. I think that's just great.

Along with Bev is Bob Elton and Dawn Farrell, vice-president of BC Hydro Generation. They've worked hard in turning things around. These are new people that came into positions of pretty big decision-makers in B.C. Hydro, and I think they've done a great job.

Bob Reid, I believe, has spoken to you today from BCTC, the chair of BCTC, and he brings a pretty fresh outlook to the transmission part of the world. And Mike Costello was here tonight, who is the CEO of BCTC. They're working hard to get a separate public company up and running and to be responsive to British Columbians in total but also be responsive to your organization.

I understand, after I had a tour of the control room in Burnaby the other day, and a presentation was made, BCTC said they could spend over \$2.5 billion in the next ten years in transmission upgrades and new transmission. That's an awful lot of money, and a lot of that is because we're a growing province.

Having a Crown Corporation that wasn't able to invest the money that it needed to invest over ten years, they've got some catching up to do. But a lot of that money is attributable to trying to tie in and to work with independent power producers across the province of B.C.

Is it all done? No, they would agree with me, I'm sure, that they've got some more things to do, and we can work together. There's no reason why we can't. We ought to be able to sit down and talk about our differences and try to work it out. There's nothing wrong with that. We don't have to agree with everything, but we ought to be able to talk about our differences and try to work them out to the benefit of not just the IPP community but also Fred and Martha (the ratepayers in B.C. Hydro) and the people of the province of British Columbia. I don't know if there's Fred and Martha's in the crowd, but thank you, Fred and Martha, for being the taxpayers in British Columbia.

When we talk about some of the things that have gone wrong or aren't going quite right all the time, we should also pause to think about some of our accomplishments. Steve mentioned some of them today. They're not just our accomplishments. They're accomplishments that we've done together. They're accomplishments for everyone.

I just want to talk a little bit about some of the calls. September of 2001 there was a green call: 23 projects for 900 gigawatt-hours per year. May of 2002, customer-based generation, 500 gigawatt-hours contracted. October 2002, 800 gigawatt call for clean power. In fact, there was a huge surge in applications to that call - in fact, 1,800 gigawatt-hours - and guess what.

B.C. Hydro signed them all - not just 1,800 gigawatts. They signed all of them. I think that proves they're moving forward, and they know that they want to get that generation on line.

In October 2003 the Vancouver Island call was for 150 megawatts-plus. It's still in process and will be announced soon. And I was told tonight by some folks that have been involved in that that they're very happy with the process that B.C. Hydro used and should be complimented in their diligence to make sure it is fair, to make sure that people understand what's going on that want to bid into the process. I'm happy to hear that from investors in the province of British Columbia.

Then, of course, Bev's announcement today about the 1,000 gigawatt-hours in the spring and one the following year, and that's probably, I believe, as far as they can go because they're regulated by the B.C. Utilities Commission - again, an arm or a board that reviews all of the acquisitions of B.C. Hydro and all the operations of B.C. Hydro.

IPPs currently supply about 10 percent of B.C. Hydro's production. That will increase over time. We want it to increase. B.C. Hydro just adopted a new goal of having security of domestic supply, within British Columbia. That's a good goal. That's good for the IPP community, and it's good for British Columbia, because you folks will be out there investing your money to be able to bring out your entrepreneurship and create the jobs that are needed in the province of British Columbia. That's all good news for each and every one of us - not just for government but for you folks.

On top of that, the government has moved to remove sales tax on penstocks for run-of-the-river projects. It's restructured water levies as of January of 2003. We have a tax exemption on penstocks, which is still being refined so that we meet as we can everybody's desires. Wind power generation equipment has no tax on it, that's good news. And micro-hydro turbines and generators, that's all good news.

On top of that, I signed an MOU with the Union of B.C. Municipalities, along with other ministers, to try and move some of these good news items forward in communities across British Columbia. Some of you have experienced problems trying to get your projects on line. There's always some government, and there's always some local government. What we want to do is actually start working closer with local governments so they



know where we're going, what we're trying to do and what you folks are trying to do in the IPP community.

But government's goal, and my goal, is to see a good, solid, thriving IPP community in the province of British Columbia. The Energy Plan states that. We want to get an all-new incremental energy supply from IPPs, from the independent power producers. That's a great goal and one that I think that we can attain. And it's more good news for British Columbians.

We need to get that message out. I can't get that message out by myself, I can't be the only one out there talking about it. We have some other people talking about it, and you folks as well. You have to be out there talking in communities about what the benefits of this are.

When people say we're privatizing B.C. Hydro because we're using folks like you and your ingenuity and your entrepreneurship to go out and build generation, that's not privatizing B.C. Hydro. I tell you honestly, Steve, we need some help in combating that type of misinformation, because it's wrong. B.C. Hydro is still a publicly owned company and will continue to be. Those are the kind of things I think we have to start focusing in on a little bit more collectively as a group, along with B.C. Hydro, B.C. Transmission, the independent power producers and government to try and start letting people know.

It's easy for me to say we've completed all the 26 points in the Energy Plan, but if Fred and Martha out there don't know, it's all for nothing. So we need to explain some of the processes that take place.

The Energy Plan lays out a challenge for each and every one of us, regardless of who we are, and that's what it was meant to do. It was meant to bring that entrepreneurship to the table. It was meant to develop an IPP community in the province of British Columbia to generate electricity for people here in the province.

Let us remember the four points. No. 1 is - and I want to emphasize this - low electricity rates and public ownership. People in B.C. by the thousands, by the thousands, have told me: "Don't raise my rates." We all know that that's not possible to keep that up forever, but they want low electricity rates.

We still enjoy the third-lowest rates in North America in the province of British Columbia, and I'm proud of that. That's because of the foresight of someone else a long time ago that put in dams on rivers and did things that some people complain about today, but I think it was very far-out-there thinking, and that was for the benefit of all British Columbians.

We want a secure, reliable supply of energy, No. 2. No. 3, we want private sector opportunities - that's where you come in - and, No. 4, environmental responsibility as we move forward.

B.C. Hydro has some requirements for electricity moving forward. Their incremental supply moving forward should come from independent power producers. They have a huge operation to manage in dams and reservoirs and electricity trade and all those kind of things that go along with it. I don't even want to start thinking about how difficult some of that is to do and, maybe, on the surface, how simple it might seem to some people that think it can be done.

It's not simple. It's a complex system that requires a lot of hard work to make sure it's maintained and it's run well for the benefit of the ratepayers of the province of British Columbia.

That's why we have low rates, because British Columbians want low rates. And so B.C. Hydro can't just go out and sign everybody up, because they'd have to actually take it to the B.C. Utilities Commission, which is that independent body from government that says, "Yes, you're doing the right thing, B.C. Hydro, on behalf of 1.9 million ratepayers," or: "No, you're not doing things right on behalf of 1.9 million ratepayers. And the B.C. Utilities Commission is a great place to have that happen, because you have people that are also experts that know how to generate electricity and deliver it.

So what we did also in the Energy Plan is create a BCTC, because I also had discussions with a lot of people that they felt it was difficult to deal with one corporation called B.C. Hydro if they wanted to export their electricity. And so we created BCTC to actually accomplish that - so that we can continue trade in the Pacific Northwest in the future, which is going to come in time.

That allows people, individuals, companies, whoever, if you want to generate more electricity than what B.C. Hydro can buy and , at the B.C. Utilities Commission, you have the opportunity of accessing BCTC and selling your electricity someplace else.

On top of that, Powerex - and I believe Ken Peterson's going to talk to you about that, Powerex will buy and sell your electricity. They'll move your electricity for you. They'll help you with that process. Let me tell you: that's a difficult process. I've had that explained to me also. You can contract with Powerex, and that's good news in the province of British Columbia.

That's all in the Energy Plan.

Is it simple to do? No.

No. It's going to be hard, but that process is there. But we still need to refine it further so we can make things happen for people, we will do that, and that will accommodate those that want to sell larger amounts of electricity.

With that, Steve, I want to again thank you for inviting me here, for letting me say a few words about what is happening in the province of British Columbia as it relates to your industry. I want to commend you on the good job that you're doing in getting the group together. I know that's not always easy, and that's understandable when you get a bunch of entrepreneurs in one room, it's just like miners. If someone's over there hitting a rock, everyone else wants to go over there and see what the heck that person's hitting on.

I understand that, but that's the joy of having a competitive system, a system in British Columbia that recognizes that we want to get the best that we possibly can, and we want to move forward for the ratepayers to keep the lowest possible prices that we possibly can moving forward.

So with those few words, thank you very much. I appreciate the opportunity.