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Economist challenges business case for Site C dam

Other options for power generation may be half as expensive, he says

BY GERRY BELLETT, VANCOUVER SUN MAY 26, 2015

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Artist's rendering of the Site C dam project. Landowners whose property will be lost want the project halted until the auditor general can do a 'proper review.'

Photograph by: Handout , Vancouver Sun

The Peace Valley Landowner Association is calling on Premier Christy Clark to delay construction of BC Hydro's Site C dam for at least two years after an international energy economist claimed there are fundamental flaws in Hydro's business case for the \$8.8 billion project.

Robert McCullough, who was commissioned by the association to study the Site C business case, challenged cost assumptions being used as a basis for the decision to build the dam.

There is evidence suggesting that "BC Hydro's choice of a discount rate may have differed from their usual practice," he said Tuesday in Vancouver.

Discount rates reflect "the market demand for, or opportunity cost of, the capital associated with projects of similar risk," his report said. "Since this is the single most important assumption in any cost benefit study, a

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careful review of BC Hydro's decision to use this discount rate is in order."

McCullough said Hydro set the discount rate for the project at 5 per cent and he believes it should be about 12 per cent.

"If we use industry standard assumptions of the discount rate, Site C rapidly becomes one of the more expensive of the options," said McCullough.

He said he wasn't advocating for other sources of power generation, as B.C. residents had to make their own environmental decisions, but Site C was dramatically more expensive than the combination of renewable energy (solar and wind) and natural gas generation plants found elsewhere in North America.

"Our analysis indicates that Site C may well be twice as costly as the renewable/natural gas portfolio adopted elsewhere," he said.

PVLA president Ken Boon said the government had to halt the project.

"I don't see how the government can do anything but put a hold on Site C until they have looked into all these financial decisions and have the auditor general do a proper review," Boon said.

"Something's not right. It's frustrating for us. Why are we the ones doing the due diligence? The government has to be doing this. It's the most expensive public infrastructure project ever and look what we are hearing now."

"I don't think there's any option but for the government to put the brakes on this," he said.

In his letter to Clark, Boon said she and cabinet "appear to have relied on incomplete, misleading or inaccurate advice from the staff of BC Hydro and the Ministry of Energy and Mines."

He said the decision to delay the project would save taxpayers \$200 million and would also respect the court process now underway.

The association is in both the federal and B.C. Supreme Courts seeking judicial reviews of the federal and provincial governments' environmental assessment findings that cleared the way for construction to begin this summer.

It is awaiting a decision from the B.C. Supreme Court, which has heard its submission, and will be in Federal Court July 20 to argue its case.

The association is made up of 70 landowners who stand to lose their properties if the dam is built.

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