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# Power from Site C dam 'dramatically' more costly than thought: expert

JUSTINE HUNTER

VICTORIA — The Globe and Mail

Published Tuesday, May 26 2015, 8:00 AM EDT

Last updated Wednesday, May 27 2015, 4:53 PM EDT

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Just weeks before BC Hydro plans to begin construction of the \$8.8-billion Site C project, a new report says the Crown corporation has dramatically understated the cost of producing power from the hydroelectric dam.

The Peace Valley Landowners Association (PVLA), which is opposed to the project because of the flooding from creating an 83-kilometre reservoir on the Peace River, commissioned a leading U.S. energy economist, Robert McCullough, to look at the business case for what will be the province's most expensive public infrastructure project.



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The B.C. government approved the project last December, saying it is the most cost-effective option to meet the province's future electricity needs. But the province has steadfastly rejected calls for an independent review of the cost estimates for Site C, saying the costs have been rigorously scrutinized and verified by independent contractors, the Ministry of Finance and an outside accounting firm.

Mr. McCullough, in his report, said it appears the Crown corporation BC Hydro had its thumbs on the scale to make its mega project look better than the private-sector alternatives.

"Using industry standard assumptions, Site C is more than three times as costly as the least expensive option," Mr. McCullough concluded. "While the cost and choice of options deserve further analysis, the simple conclusion is that Site C is more expensive – dramatically so – than the renewable [and] natural gas portfolios elsewhere in the U.S. and Canada."

The report challenges a number of assumptions that led the government to conclude that Site C is the cheapest option. Mr. McCullough noted that the province adopted accounting changes last fall that reduced the cost of power generated by Site C. He said those changes are illusory and the costs will eventually have to be paid either by Hydro ratepayers, or provincial taxpayers.

Mr. McCullough, a leading expert on power utilities in the Pacific Northwest, also disputes the rate that BC Hydro used to compare the long-term borrowing cost of capital for Site C against other projects, noting that other major utilities in North America use higher rates for such projects because they are considered risky investments. The so-called discount rate is critical to the overall cost projections, and he said the paper trail on how the Crown arrived at its figure "can only be described as sketchy and inadequate."

The report, obtained by The Globe and Mail, will be released on Tuesday by the PVLA.

The group will call on Premier Christy Clark to delay construction to allow time for a review by Auditor-General Carol Bellringer.

Ken Boon, president of the association, said the government needs to put the project on hold because it has approved the project based on poor advice.

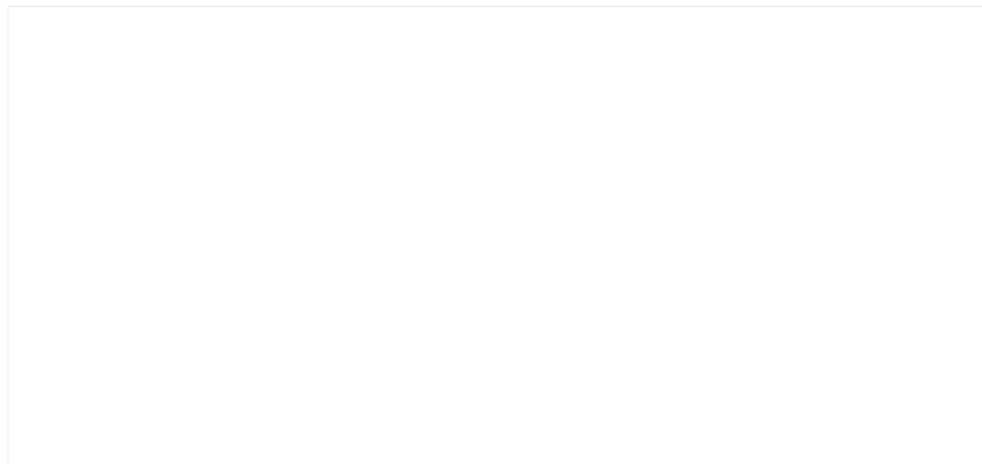
"I find it frustrating," he said in an interview. "How come it is left to us to do the due diligence that the government should be doing?"

The Site C project is facing a series of court challenges by the PVLA and local First Nations organizations. Mr. Boon said his group intends to seek an injunction to delay construction if the Premier will not agree to put the project on hold.

Independent power producers have argued they can meet B.C.'s growing need for electricity at a competitive cost, but they say the province tilted the playing field last fall when it changed the way it collects dividends from BC Hydro and reduced water-rental charges for the Crown corporation. As a result of those accounting changes, the cost per megawatt hour of Site C electricity decreased by one-third, from \$83 a megawatt hour down to somewhere between \$58 and \$61 a megawatt hour. BC Hydro says it would cost \$96 a megawatt hour for alternative energy.

The government has exempted the project from a regulatory review by the B.C. Utilities Commission. However the environmental review panel that studied Site C said an independent review on BC Hydro's cost estimates, energy demand forecasts and conservation plan should be conducted before allowing the project to move forward.

[PVLA Site C report](#)



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