

B.C.'s massive Site C dam project could run 50 per cent over budget: commission



The Site C Dam location is seen along the Peace River in Fort St. John, B.C., on April 18, 2017.

JONATHAN HAYWARD/THE CANADIAN PRESS

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BC Hydro's claims that the construction of the Site C dam will not drive up its customers' energy rates have been shot down by an independent regulatory review, just one of several of the Crown corporation's assumptions about the project that were demolished by the B.C. Utilities Commission in a report on Wednesday.

The much-anticipated BCUC report, an election commitment by the NDP government, also raised serious questions about the cost to complete the megaproject, future demand for energy and the cost of alternative power.

The report's findings will inform Premier John Horgan's government on whether to scrap the project or carry on. The dam is already two years and \$2-billion into construction and a decision is due by the end of the year.

In an interview, panel chair David Morton, the CEO of the Utilities Commission, said on Wednesday the project will not be completed within its \$8.8-billion budget, and could go as much as 50 per cent over that figure. "We think that \$10-billion is probably a good result, in terms of completion costs."

The BCUC report estimates the cost of the completed project is likely to be equal to the cost of alternatives, such as wind power or conservation.

And, the panel warned, the costs of completion could rise even more. "It has already exceeded its budget, only two years into a nine-year schedule. There are tension cracks and disputes with its contractors both of which remain unresolved," the review found.

If the cost of completing the dam can be held to \$10-billion, alternative power is comparable, the panel found. If costs rise further, then the other options become cheaper.

Earlier this week, Mr. Horgan said his chief concern is which decision – to complete or cancel the project – is most likely to drive up rates for BC Hydro's residential, commercial and industrial customers.

BC Hydro stated it does not expect rates to rise once the dam is in service, but the panel disagreed.

"The panel finds there will be considerable upward pressure on rates," the report states, adding that rate hikes could devastate energy-intensive industrial customers that are already economically vulnerable, and for low income households, "even nominal rate increases will increase energy poverty."

Although Hydro maintains that alternatives would be more costly than completing Site C, the BCUC found otherwise.

"It is possible to design an alternative portfolio of commercially feasible generating projects and [conservation] initiatives that could provide similar benefits to ratepayers as Site C, with a similar unit energy cost."

Robert McCullough is the energy expert retained by leading opponents of the dam, the Peace Valley Landowner Association, to craft submissions to the review. He told reporters on Wednesday he is delighted with the findings.

"There is no technical argument for Site C. Pardon me if I sound happy today, but I am," he said. He said the number of times that the report's authors did not accept BC Hydro's figures and forecasts is damning.

Energy lawyer David Austin, who represented independent power producers in the review, said he believes the government has a clear choice now.

"I can't see this project going ahead, on the basis of this final report," he said in an interview. But he believes rate increases are inevitable, whether the project goes ahead or not. "Because of BC Hydro's need to repair its aging system, electric rates have to go up – or the amount of money BC Hydro sends to Victoria has to go down."

Mark Jaccard, a professor at Simon Fraser University's School of Resource and Environmental Management, said the independent regulator clearly was unimpressed with BC Hydro's defence of the project.

"This report indicates had the Liberals put this to the commission four years ago, Site C would not be built."

But given the current stage of construction, he said there is no easy decision for the Horgan government. "It's a wash. Cancel or don't cancel. One can't say the economics favour either option." That means the decision will ultimately be a political one.

Energy Minister Michelle Mungall, speaking to reporters after the report was released, carefully avoided any indication of how her government views the project now, saying there will still be consultation with the Treaty 8 First Nations in the region where the dam is being built, before a decision is reached at the cabinet table.

She criticized the former BC Liberal government for refusing to allow the regulatory review before shovels were put in the ground, and said that is the reason the project's 2,000 construction workers are facing uncertainty today. "We appreciate this is tough on everyone, this is not an easy decision." She did say the third option, of simply suspending the project in case it is needed at a later date, is off the table now. "That would never be in the best interests of ratepayers."

Mr. Morton, the panel chair, said there is no clear answer for government in his report – just answers about the economics. "I'm glad I don't have to make the decision."

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