# Opinion: Taking the path less followed

*ROBERT MCCULLOUGH*

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Premier John Horgan is joined by Minister of Energy Michelle Mungall after giving the green light on continuing construction on the controversial Site C Dam project during a press conference in Victoria, B.C., on Monday, December 11, 2017. *CHAD HIPOLITO / THE CANADIAN PRESS*

A month ago, I had the honour of sitting down with the NDP cabinet and Premier John Horgan. I gave a detailed presentation why proceeding with Site C would be costly and risky. Curiously, after the cabinet meeting the only followup involved questions from specific MLAs — not inquiries from the cabinet or their staff.

Sadly, the most important issues were not addressed — the availability of billions of dollars from the sale of the Columbia River energy and capacity the province has in the U.S., or the use of the Non-Treaty Storage to firm renewables. Both issues are game changers and likely to remain unused given BC Hydro's current plans.

I followed the cabinet's deliberations in The Vancouver Sun and was not surprised when Vaughn Palmer's column predicted the outcome. I was surprised, however, that the defence of the decision largely revolved around issues already addressed by the British Columbia Utilities Commission or involved assumptions that were unlikely enough to have never been broached in any forum.

The basic advantage of discontinuing Site C was, and remains, its high cost. BC Hydro had estimated \$86/MWh back in the days when the project was expected to cost \$8 billion. The generally accepted price tag is now \$10 billion. The citizens of British Columbia have already paid \$2 billion for the project, so \$86/MWh seems a reasonable guess. Alberta received bids for 600 MW of wind just a week ago. The bid price was \$37/MWh — considerably less than one half the price of Site C.

The two explanations given for the decision to take the path less followed were that there would be an immediate rate increase on termination and bond rating agencies, like Moody's, would consider the failed investment in Site C in future ratings. Neither reflect industry practice.

The British Columbia Utilities Commission sets the rates — not the Cabinet — and does so based on over a hundred years of regulatory law. The BCUC staff assumed that the amortization of the sunk costs would be 70 years and the amortization of the land reclamation would be 30 years. In 2024, this means that termination has a lower rate impact than continuation. Regulatory practice in other jurisdictions in the U.S. and Canada does not punish ratepayers for prudent utility decisions.

The argument on bond ratings is equally specious. Bond raters are concerned with the future — not the past. Their ratings are guides to investors for their ongoing investments. In general, they prefer lenders who borrow less and take less risk — the case for termination of Site C in a nutshell. Other jurisdictions who have gone ahead with costly hydro projects have seen their bond ratings reduced.

Overall, the Site C project is 20 per cent completed with another $8 billion to go. The experience with troubled projects in Manitoba and Newfoundland is that early problems are an indication of further bad news in the years to come. The best case is that British Columbia will spend the $8 billion over the next seven years with nothing to show for the investment. In 2024 or 2025, BC Hydro will have completed a plant many years before it is needed and will be forced to sell the output to the U.S. at a loss.

Sometimes the road less travelled is not travelled for a reason — or, in this case, many reasons.

*Energy consultant Robert McCullough, principal of McCullough Research in Portland, was one of six experts invited to present to Premier Horgan and Cabinet regarding Site C.*



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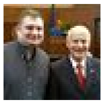

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**Rachel Blatt** · Works at Self Employed

Thank You for All the excellent work you have done for us here in the Peace trying to save our iconic Valley, Northern Food security and our homes, farms ranches and livlihoods. It is the Same Old Same Old with politicians They lie and make promises to get elected then start breaking those promises as soon as they get into power. Our Province has only seen 1 premier brave enough to stand up to the "Other Forces" as he put it, behind closed doors and doo what is right for his voters instead of what suits corporations and Union bosses.

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Wind power is intermittent. Site C power is firm energy. A 50% differnce in the value of the power is not surprising.

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