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Peace Valley opponents of Site C dam ask auditor general for "urgent examination" of NDP government decision

by [Charlie Smith](#) on December 14th, 2017 at 3:32 PM



Arlene and Ken Boon (far right, seen with Sierra Club campaigner Galen Armstrong and photographer Louis Bockner) have been fighting the Site C dam for many years.

LOUIS BOCKNER

Two organizations at the centre of the fight over the \$10.7-billion Site C dam want an independent review of the government's accounting.

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Through their lawyer, Rob Botterell, the Peace Valley Landowner Association and the Peace Valley Environment Association have asked Auditor General Carole Bellringer to launch an "urgent examination".

The groups want Bellringer to determine if the NDP government had no alternative but to incur an immediate \$3-billion to \$4-billion charge on either B.C. Hydro ratepayers or B.C. taxpayers if it cancelled the dam.

Attorney General David Eby made this claim [in a statement](#) posted on his constituency website about the Site C dam approval.

"In contrast," Eby stated, "we were advised that if we continued the project, even if it went significantly over budget, the accounting treatment of the completed project as an 'asset' would enable it to be repaid over 70 years by ratepayers with a significantly different impact on rates and public accounts."

Eby's claim was contradicted by Portland-based energy consultant [Robert McCullough](#), a consultant to the two Peace Valley organizations.

McCullough maintained in a letter to Botterell and landowner Ken Boon that B.C. Utilities Commission reviewers were very clear how to account for sunk costs and reclamation costs.

"The analysis assumed a seventy-year amortization period for the sunk costs of \$2.1 billion," McCullough stated. "They also assumed a thirty-year amortization period for the reclamation costs."

He added that the commission's estimate of reclamation costs was "quite a bit higher" than the evidence suggested.

"Both BC Hydro and Deloitte forecasts costs in the \$1 to \$1.2 billion range," he stated.

According to McCullough, Eby appears to believe that the \$2.1 billion in sunk costs have been held in abeyance.

"This is a curious belief," McCullough declared. "British Columbia has a continuous financing program designed to balance cash requirements and cash inflows. These needs drive the province's issuance of bonds. The province has already spent the \$2.1 billion dollars [sic] and the cash has been disbursed."

Later in his response, McCullough wrote: "Mr. Eby has also raised a concern that Moody's (the only bond rating firm that has expressed concerns about BC Hydro's unusual finances) would react negatively to the recovery of the \$2.1 billion. Regulatory recovery of the costs of termination is a very common practice in the utility business and is addressed in every utility's annual report.

"However, the proposed solution is to propose spending \$8 billion more [on] an asset that could be replaced for only \$4 billion," McCullough continued. "This, indeed, may concern the bond raters and has been a factor in the downrating of the two provinces—Manitoba and Newfoundland—who have followed the proposed path."

The letter to the auditor general from the two Peace Valley groups' lawyer asks her to determine "the likely minimum cash impact on present and future BC Hydro ratepayers and BC taxpayers of completing Site C vs. cancelling Site C".

"What mitigation measures are available through policy, legislation or regulation to minimize the cashflow impact of cancellation of Site C on BC Hydro ratepayers or BC taxpayers?" wrote Botterell in the letter. "What viable options does the British Columbia government have to ameliorate the accounting (as opposed to cashflow) treatment of Site C cancellation costs?"

"Is best practice to exclude or include sunk costs when deciding whether to complete a project like the Site C dam," Botterell continued. "Should accounting treatment be the decisive factor when considering whether or not to complete a project such as Site C?"

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