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Pressure mounts on government to finish Site C

Even experts who argued against the dam say halting it now would be a waste of \$4 billion

By Nelson Bennett | Nov. 28, 2017, midnight

Whether Site C dam is finished or cancelled, British Columbians will be stuck with a bill for it. A big bill.

The question the BC NDP government must decide by year's end is whether to absorb \$4 billion for a cancelled project that will generate no additional power or finish a project that could cost \$2 billion more than budgeted but could provide power for a century.

If Site C is cancelled, the bill would likely show up over the next few years, in the form of either a rate hike or a tax increase. If amortized over 10 years, the increase in BC Hydro rates has been calculated at 10%.

If it's completed, the cost of building the dam – now estimated to be \$10 billion – would be spread over 70 years, so future generations will share the burden of paying for the project.

American energy expert Robert McCullough, hired by the Peace Valley Landowner Association to challenge the project, says there is no reason the \$4 billion cost of cancelling Site C can't be amortized over 30 years, which would still require a 6% increase.

Cancelling Site C would save British Columbians \$8 billion, something McCullough calls a “termination dividend.”

Jim Quail, a lawyer specializing in labour and energy issues, said that while it is fair to require future generations to help pay for something they benefit from, it would be a violation of the “intergenerational equity” principle used by utilities to pass the cost on to future generations for something from which they would derive no benefit.

“I wouldn't expect my great-grandchildren to still be paying for Christy Clark's mistake,” he said.

Quail is one of two energy experts the Allied Hydro Council of BC (AHC) called upon to analyze a BC Utilities Commission (BCUC) final report on Site C.

Quail and Marvin Shaffer, a Simon Fraser University School of Public Policy economist, agree that Site C should have been reviewed by the BCUC before it was approved and probably never would have been sanctioned had that happened. But they conclude it makes no sense to halt the project now.

“The fact that we are \$2 billion into the project, and it would cost \$2 billion more to get out of it, changes everything,” Quail said.

The BCUC final report concluded:

- Site C is likely to come in \$1.7 billion over budget (\$10 billion, not \$8.3 billion);
- cancelling the project would leave the province with a \$4 billion debt in sunk costs, contract termination fees and remediation costs;
- BC Hydro overestimated its load forecasts; and
- alternatives like wind power could be built at roughly the same cost of Site C.

Shaffer and Quail conclude the BCUC’s comparisons of the costs of Site C and alternative energy sources were “manifestly unbalanced.”

Even the NDP government has questioned the BCUC’s methodology. It asked the BCUC if the panel included the sunk costs of a cancelled Site C in its calculations of energy alternatives – something that isn’t clear from its report.

The BCUC last week confirmed it did not. So when sunk costs and termination costs are added, it increases the cost of alternatives. Over a 70-year amortization period, the BCUC calculated, alternatives like wind and geothermal would cost \$63 per megawatt hour (MWh), compared with \$57 per MWh for Site C.

The BCUC was also asked how much financing costs would be for alternatives if built by the private sector, as opposed to being built by BC Hydro, which has lower debt-financing costs.

The BCUC confirmed private financing would add \$212 million to the cost of alternative energy portfolios.

The government has also questioned the BCUC’s use of a low load forecast in its calculations, saying that it appears to presume B.C. will have little growth in the coming decades.

The BCUC's assumption of low power demand growth strikes Jae Mather, executive director for Clean Energy BC, as "rather weird."

"There's nowhere on the entire planet that is expecting anything less than tremendous growth in energy consumption," he said.

Should B.C. need additional power, McCullough has suggested B.C. could use underutilized storage capacity at the Mica dam, which is already bought and paid for.

"The storage we have currently unused, uncommitted as of 2024 at Mica is the equivalent of a 300-foot tower of water on the Site C footprint," McCullough said.

If that was an option, however, it begs the question why the BCUC did not include that as a suggested option.

But there is more to the Site C dilemma than just a cost-benefit analysis. There is also a political calculus that Premier John Horgan must weigh.

A number of high-profile BC NDP members, including Moe Sihota, have said they are leaning in favour of finishing the dam project, and unions such as the AHC and BC Building Trades Council have been stepping up pressure to protect dam construction jobs.

But Harold Steves, a Richmond city councillor, former NDP MLA and longtime BC NDP member, warns that proceeding with Site C could cause a "revolt" within the NDP between the labour and green factions, similar to the one that occurred in the late 1970s over clear-cut logging.

He said the BC NDP was essentially commandeered by the pro-logging International Woodworkers of America, which resulted in green-leaning New Democrats quitting the party.

"And that, my friends, was how the Green party was born," Steves said last week at a joint press conference with McCullough. "They could face the same kind of disillusionment that they faced in 1978."

Horgan spoke last week of the dilemma his government faces.

Just last week, the West Moberly and Prophet River First Nations pledged that, if the dam is built, they will launch a Treaty 8 infringement court challenge. Other First Nations that signed benefits agreements want the dam completed, however.

"We heard early on in the process that there were Indigenous groups contemplating litigation should we not proceed, and we've now heard from Indigenous groups that say there will be litigation if we do proceed," Horgan said.

“We’ve heard from people that say the utilities commission work was exemplary, and we’ve heard from people who say the utilities commission work was deficient in a number of areas.”

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