

NEWS

Utilities Commission Warned of Site C Cost Overruns, Delays

Deloitte reports questions BC Hydro demands forecasts, points to cheaper alternative power sources.



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Megaproject faces 'considerable risk' of delays, increased costs, says independent report. Photo by Garth Lenz.

Two technical reports on the Site C dam prepared for the BC Utilities Commission by Deloitte LLP confirm critics' warnings that the dam is not needed and is at high risk of delays and cost overruns.

“The Site C Project faces major risks including performance issues of contractor(s), unforeseen geotechnical conditions, and cost risks associated with major contracts that have not been awarded yet,” said one report from the global consulting firm. “These risks could impact the cost and schedule performance of the Project.”

Deloitte provides audit, tax and consulting services to government and industry, including the evaluation of financial and enterprise risk.

“The Deloitte reports provide undeniable evidence that the Site C project should be cancelled,” Marc Eliesen, former CEO of BC Hydro, told The Tyee.

Deloitte had access to confidential information on the project’s finances that critics have long sought, added Eliesen.

The BC Utilities Commission asked Deloitte to examine the risks and benefits of suspending, cancelling or continuing with the controversial project last month. The studies are part of a commission review of the economic viability of the megaproject ordered by the NDP government last month. A preliminary report is due by Sept. 20 and a final report by Nov. 1.

One Deloitte report looks at construction issues while the second delves into BC Hydro’s forecasts of electricity demand and possible alternatives to the \$8.8-billion dam.

“The Project is facing significant schedule and cost pressures,” the Deloitte report

_____ on construction warns. “With respect to the Project schedule, both PRHP and BC Hydro recognize that the 2019 river diversion is at risk.” PRHP refers to Peace River Hydro Partners, the troubled consortium

_____ responsible for construction.

Overall, Deloitte concluded that BC Hydro is “at considerable risk” of failing to meet a 2019 deadline for diverting river water into tunnels while the dam is built due to contractor problems and geotechnical issues.

“In the event that the Start of River Diversion milestone is not met in 2019, we believe the impact on the Project would be approximately a year of delay... and cost increases above the FID budget in the range of 10 to 20 per cent.”

That would add from \$880 million to \$1.8 billion to project costs. Cost overruns could rise to \$4.3 billion if the delay extends beyond 12 months, the consultants found.

The auditing firm also found it would cost about \$1.2 billion to terminate the project and approximately \$1.4 billion to suspend it, allowing for future completion.

BC Hydro has argued _____ that cancelling the project would cost \$3 billion.

The Deloitte report notes that given that seven years of construction lie ahead, “the actual potential impact on the Project’s cost and schedule is unpredictable at this stage with the information that Deloitte has reviewed.”

The report confirmed that recent Canadian hydroelectric projects have all experienced cost overruns ranging from 55 to 90 per cent.

Deloitte’s second report _____ examined the power demand forecasts BC Hydro has used to justify the project.

The Crown corporation has consistently overestimated demand for electricity by up to 31 per cent, the report found.

Energy expert Robert McCullough, an economist at Portland State University, has calculated _____

_____ that “the amount by which BC Hydro has exaggerated forecast demand for electricity is larger than the capacity and energy provided by Site C or 1100 MW.”

Deloitte also concluded that even if the energy is needed there are more environmentally friendly and less costly ways to generate power with a combination of existing hydro upgrades, conservation and smaller wind and geothermal projects.

At a Vancouver press conference Wednesday on the import of the Deloitte reports — the first full independent review of the project — McCullough noted that geothermal, solar and wind are cost effective even after accounting for termination costs related to Site C.

“We don’t need the power, and even if we did the alternatives are cheaper,” said McCullough.

To date more than 100 documents have been filed before the BCUC inquiry into the Site C dam. The majority of the submissions have argued against building the project but many BC Hydro documents have been redacted,

including portions of the Deloitte reviews.

As a result the Peace Valley Landowner Association and Peace Valley Environmental Association have asked

 the BCUC for more transparency and openness.

The groups have also asked the BCUC to allow experts to question BC Hydro at a five-day public hearing on the accuracy of its submissions to the inquiry.

“Currently there is a very limited and procedurally weak process for testing the veracity of the information, reports and analysis in a timely and fair way,” noted the groups in a press release. 🌱