
BACKGROUNDER

B.C. UTILITIES COMMISSION REVIEW OF PROPOSED SITE C DAM PROJECT

BACKGROUND

The BC government is considering committing British Columbia taxpayers and ratepayers to what could well be the largest public infrastructure expenditure in a generation: the estimated \$7.9 billion Site C dam project.

However, despite repeated requests, the government is refusing to allow the B.C. Utilities Commission to conduct an independent and expert review of whether we need the Site C project, or what this project might actually cost British Columbians.

The only independent review to date, which was conducted by the federal/provincial Joint Review Panel, found that:

- 1) The need for Site C has not been established
- 2) The cost estimates and rate impacts for Site C could not be verified and need further scrutiny
- 3) Site C should not proceed without expert and independent review of the Project by the B.C. Utilities Commission

“The Panel concludes that the Proponent has not fully demonstrated the need for the Project on the timetable set forth.”

“The Panel cannot conclude on the likely accuracy of Project cost estimates because it does not have the information, time, or resources. This affects all further calculations of unit costs, revenue requirements, and rates.”

“The Panel concludes that, basing a \$7.9 billion Project on a 20-year demand forecast without an explicit 20-year scenario of prices is not good practice. Electricity prices will strongly affect demand, including Liquefied Natural Gas facility demand.”

(Joint Review Panel Report, pp. 280, 287, 306)

B.C. UTILITIES COMMISSION—EXPERT AND INDEPENDENT REVIEW OF SITE C PROPOSAL

The Joint Review Panel was stark in its determinations about the unreliability of proceeding with Site C without proper and thorough regulatory oversight. British Columbians risk embarking upon a massive expenditure which is based on unreliable estimates, and may not even be necessary.

When the government exempted Site C from B.C. Utilities Commission Review in 2010, it told us that it was doing so to ensure that this “critical project” would not be subject to an “unnecessary” process before the B.C. Utilities Commission, and that the public interest would be protected by a robust and independent environmental review process.

(Hon. B. Lekstrom, May 26, 2010, V. 18 N. 8, Second Reading Bill 17 *Clean Energy Act* <http://www.leg.bc.ca/hansard/39th2nd/h00526p.htm#5787>)

We have now had that independent environmental assessment process, and it has clearly determined that Site C is not a “critical” project at this time, and that review by the B.C. Utilities Commission is not “unnecessary” —quite the opposite.

RECOMMENDATION 46

If it is decided that the Project should proceed, **a first step should be the referral of Project costs and hence unit energy costs and revenue requirements to the BC Utilities Commission for detailed examination.**

RECOMMENDATION 47

The Panel recommends that BC Hydro **construct a reasonable long-term pricing scenario for electricity and its substitutes and update the associated load forecast,** including Liquefied Natural Gas demand, and that this be **exposed for public and Commission comment in a BC Utilities Commission hearing, before construction begins.**

RECOMMENDATION 49

The Panel recommends that, if Ministers are inclined to proceed, they may wish to consider referring the **load forecast and demand side management plan details to the BC Utilities Commission.**

Joint Review Panel Recommendations

The onus is now on the BC government to follow the recommendations of the Joint Review Panel, and allow the B.C. Utilities Commission to do its job: to make an expert and independent determination of whether we need the project and what it will cost us. Review by the B.C. Utilities Commission is in the public interest: it allows for independent review, informed by experts who are tested by cross-examination. And very importantly, it is in a public forum.

This is one of the most important energy policy choices to be made in a generation in British Columbia, and should not be made behind closed Cabinet doors. There is no sound basis for the exceptional exemption of the Site C Dam from B.C. Utilities Commission review.

- 1) We have time for BCUC review. If we rush into building Site C now, we will be faced with an energy surplus under which we will be forced to sell power at a significant loss to export markets like California for several years: “BC Hydro projects losing \$800 million in the first 4 years of operation.” (Joint Review Panel (JRP) Report p. 298 and p. 273).
- 2) Cost of review is minor compared to an estimated \$7.9 billion (potentially unnecessary) expenditure.

Parameters for the BCUC review should ensure:

- 1) Timely review and determination, within one year of referral to the Commission.
- 2) Sufficient yet cost-effective funding for the review process, the budget for the review not to exceed 1/3rd of 1% of Site C project cost.
- 3) Consideration of all options, including allowing the BCUC to consider options the Joint Review Panel was prevented from reviewing because of government policy constraints.
- 4) An open and transparent BCUC review process, with full procedural safeguards, reasonable intervenor funding and allowance for public hearings.

NEED FOR THE PROJECT AND ALTERNATIVES

The Panel has emphasized that **we have time** to properly examine the potential project costs, and the need for and alternatives to the Project. The Panel’s concluding remarks state:

- 1) **The significant costs of the Project can only be justified by “an unambiguous need for the power”**
- 2) **That need has not been established on the timeline presented**
- 3) **We will need the power someday, but the unanswered questions are:**

a. **When?**

And,

b. **What alternatives might be available when that day comes?**

The Panel outlined several potential alternatives to Site C that have been insufficiently explored to truly measure whether we need Site C, and how best to develop and integrate BC's energy system:

- “One major alternative should have been fully characterized many years ago. In 1983, the B.C. Utilities Commission advised BC Hydro to explore the promising geothermal resources in the Coast Range, near the load center. Little has been done. Since then, new geothermal resources have been discovered in the sedimentary rocks of northeast BC. BC Hydro now says 700 MW of firm power via geothermal resources may be available at competitive prices. They are, however, forbidden by policy to develop it.” (JRP Report p. 308)
- “There are a number of other renewable alternatives available at costs comparable to Site C, but these have been only roughly costed in the Environmental Impact Statement. As a matter of public policy, BC Hydro is not allowed to develop them and so has not invested much in exploration, research, and engineering.” (JRP Report p. 308)
- “As it stands, the government of B.C. does not call on [its Columbia River Treaty] entitlement but usually takes a cash payment. It would probably be financially attractive to BC Hydro, and therefore the Province, to take power rather than cash and retail it to its domestic customers rather than wholesaling it to U.S. utilities. This would also put off the need to borrow more money for new supply for a period of time, reducing the pressure on rates.” (JRP Report p. 305)
- “Finally, if it is acceptable to burn natural gas to provide power to compress, cool, and transport B.C. natural gas for Asian markets, where its fate is combustion anyway, why not save transport and environmental costs and take care of domestic needs?” (JRP Report p. 305)

The Panel recommended that BC Hydro develop, and take before the B.C. Utilities Commission for review and approval, a research and development budget to properly examine alternative resources and conservation techniques, and an optimal integration of such resources into the BC energy system. (JRP Recommendation 48)

September 9, 2014