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HUDSON'S HOPE
PLAYGROUND OF THE PEACE

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January 19, 2015

Dear Mayor/Chair ... of the City/Village/Regional District of ...

Re: Referral of Proposed Site C Dam Project to BC Utilities Commission

On December 2, 2014 we wrote to provide you with information regarding the proposed Site C Dam Project. We also sought your support for a one year moratorium to allow time to refer Site C to the BC Utilities Commission for independent review of the need, cost and alternatives to Site C.

The Province's December 16th, 2014 announcement that it has approved Site C only reinforces that need for independent BCUC review. For example, the capital-cost estimate for Site C has increased by almost $ 1 billion dollars to $8.8 billion.

In its report, the Joint Review Panel appointed by the provincial and federal governments recommended that Site C should be referred to the BCUC for detailed examination of costs, unit energy costs, revenue requirements, load forecast and demand-side management plan. (Recommendations #46-49). Hudson's Hope is only asking the province to do what the Panel it appointed recommended be done.

This is the largest public infrastructure project in BC history. Local Governments, and the BC ratepayers and taxpayers we represent, should reasonably expect independent review of Site C by the BCUC.

We request an update regarding review of our December 2, 2014 letter and attachments and renew our request for a resolution supporting a one year moratorium and BCUC consideration of Site C.

Please contact me at 250-783-9901 if you have any questions or would like me to speak to our request.

Yours truly,

Mayor Gwen Johansson

Link to Recent Coverage:
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THE GLOBE AND MAIL

KONRAD YAKABUSKI

Big Hydro's big days are behind it

Konrad Yakabuski
The Globe and Mail
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To paraphrase what another politician said about another energy megaproject, British Columbia's plan to build a new $8.8-billion hydro project on the Peace River is hardly a no-brainer.

Depending on your assumptions about future electricity demand, environmental regulations and market trends, you could make a credible case for the 1,100-megawatt Site C *[https://www.bchydro.com/energy-in-bc/projects/site_c.html]* power project that Premier Christy Clark has just green-lighted. But Ms. Clark's refusal to submit her plan to a review by the B.C. Utilities Commission suggests she's not especially confident of winning the argument.

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This raises a broader credibility problem facing all of Canada's provincially owned electric utilities. They are run by political appointees who answer to politicians who live to cut ribbons. The utilities are fiercely jealous of their prerogatives as near-monopoly suppliers of electricity and fight incursions by the private sector. When they make the business case for a new publicly financed hydro megaproject, it's hardly an objective exercise.

So, from Newfoundland to B.C., hydro megaprojects are back in fashion. From Muskrat Falls to Site C – with Quebec's La Romaine and Manitoba's Keeyask and Conawapa in between – governments are again betting billions on Big Hydro. But they are confusing economic development with sound energy policy.

There is a reason that, until recently, no major hydro dams had been built in Canada for decades. The most cost-effective sites have already been developed, making Canada the world's third-biggest producer of hydro power. Most of those previous bets on hydro have turned to gold, leaving Quebec, Manitoba and B.C. with the lowest electricity costs in North America.

But the projects now – or about to be – under construction are much dicier propositions. Hydro-Québec's average cost of production stands at less than 2 cents per kilowatt-hour *[http://www.hydroquebec.com/publications/fr/info-carte/pdf/infocarte_2013-2014.pdf]*. Compare that to the 6 cents (before transmission charges) it says it will cost to generate electricity at its new Romaine 2 generating station that went on line in December. This will boost Hydro-Québec's average costs at a time when the utility has energy surpluses to burn.

Selling those surpluses to Ontario on a long-term contract is a nice idea, but one that's not likely to materialize on a meaningful scale. Ontario is protective of its nuclear industry and, between spending to modernize its nuclear fleet or expand its transmission capacity with Quebec, it's made its choice.

Even so, the $6.5-billion Romaine development, which will produce 1,550 MW when (and if) all four of its generating stations are completed, is on more solid financial footing than any other Big Hydro project. Newfoundland's Muskrat Falls project is much iffier. It's slated to deliver barely 800 MW at a cost of $8.5-billion, including transmission. That's if it comes on line on time and on budget by 2017.

Manitoba may be in the worst shape of all. The cost of its Bipole III transmission line, originally planned to improve the reliability of the grid, has ballooned to $4.6-billion from $1-billion. That's because the NDP government chose a less politically unpopular but costlier route. To justify those extra costs, it also green-lighted the $6.5-billion, 700-megawatt Keeyask dam. It was preparing to approve the $10.7-billion Conawapa dam project until the Manitoba Public Utilities Board last year forced it to slam on the brakes *[http://www.pub.gov.mb.ca/nfat/pdf/finalreport_pdp.pdf]*.

To make the case for Site C, Ms. Clark's government agreed to accept a lower dividend and water rental fees from BC Hydro. But the move that appeared to knock 30 per cent off Site C's pretransmission production costs of 8.3 cents per kw/h is really just a form of cross-subsidization, with taxpayers picking up the slack.

The Clark government insists Site C is being built to meet projected increases in provincial demand. But BC Hydro, like all of Canada's big hydro utilities, is a major energy trader – its business model is built on exporting power when spot market prices spike, and importing it when prices are low. That means much of Site C's power will be exported to the United States and Alberta.

The export trade is not nearly as lucrative as it once was. Cheap and abundant U.S. natural gas, with its lighter (than coal) carbon footprint, is eating Canadian hydro's lunch. Export prices averaged 6.5 cents per kw/h in 2008. By 2012, that was down to 3.1 cents per kw/h *[https://www.neb-one.gc.ca/nrg/sttstc/lctrct/stt/lctrctysmmr/2012/smmry2012-eng.html]* – far below the production costs of any new hydro projects being built now.

The future is more likely to look like the present than the past. The heyday of Big Hydro is over.