

Page 001 of 199 to/à Page 003 of 199

Withheld pursuant to/removed as

s.12 ; s.13



Continuing Site C Better for Ratepayers and Taxpayers

- Stopping Site C now has severe impacts to ratepayers and taxpayers
- Ignoring sunk costs, ratepayers and taxpayers are better off completing the Project at this stage, even with higher costs and a one-year delay, compared to an alternative portfolio of clean energy resources

s.12; s.13



Government Fiscal Impacts of Terminating Site C

- Immediate write down of about \$10 billion (sunk, contract termination, and recognition of site remediation liability costs)
- Hits bottom lines of both BC Hydro and Province

s.12; s.13

- BC's credit rating could be downgraded resulting in higher costs for all borrowing



Who Bears Costs – Taxpayers or Ratepayers?

- If Site C terminated, a decision on whether taxpayers or ratepayers pay the debt for sunk, termination and remediation liability costs
- If BCUC allows ratepayers to pay, BC Hydro rates would increase today (e.g., by 26% for 10 years;^{s.12; s.13})
with no revenue generating asset to show for it

s.12; s.13



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Withheld pursuant to/removed as

s.13



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s.12; s.13



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s.12; s.13

Page 020 of 199

Withheld pursuant to/removed as

s.12 ; s.13



The impacts of cancellation

- The cost of cancellation is estimated at over \$10B (which includes^{s.12; s.13} in site remediation costs). Cancellation would lead to an immediate write down and impact the Fiscal Plan.
- If we try to recover these costs from BC Hydro ratepayers, this would lead to an immediate rate shock.
 - For example: a 10-year recovery period requires a 26% rate increase that lasts for 10-years (which equals \$216 per year for the average residential customer).
- Other considerations:

^{s.12; s.13}

Page 022 of 199 to/à Page 024 of 199

Withheld pursuant to/removed as

s.12 ; s.13

RE: [External] Fwd: draft backgrounders

From: Fischer, Carl M FIN:EX <Carl.Fischer@gov.bc.ca>
To: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>, Lianga, Diane FIN:EX <Diane.Lianga@gov.bc.ca>
Sent: February 22, 2021 12:05:38 PM PST
Received: February 22, 2021 12:05:39 PM PST
Attachments: image001.jpg
s.12; s.13

Carl Fischer, CPA, CGA
Comptroller General
Province of British Columbia
T 250.387.6692



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From: Foster, Doug FIN:EX
Sent: February 21, 2021 8:36 AM
To: Fischer, Carl M FIN:EX ; Lianga, Diane FIN:EX
Subject: FW: [External] Fwd: draft backgrounders
Carl and Diane, I would appreciate if you could respond to this matter involving Hydro's views.
s.12; s.13

Would appreciate your thoughts.
d

From: Layton, Ryan <ryan.layton@bchydro.com>

Sent: February 20, 2021 8:55 PM

To: MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>

Cc: Sauer, Darwin <Darwin.Sauer@bchydro.com>; Alexis, Greg <Greg.Alexis@bchydro.com>; O'Riley, Christopher <Chris.Oriley@bchydro.com>; Wong, David <David.Wong@bchydro.com>

Subject: RE: [External] Fwd: draft backgrounders

[EXTERNAL] This email came from an external source. Only open attachments or links that you are expecting from a known sender.

Hi Les,
s.12; s.13

Please let us know your thoughts on the above – we are of course happy to discuss further.
Thanks

Ryan

From: Alexis, Greg

Sent: 2021, February 20 3:50 PM

To: O'Riley, Christopher <Chris.Oriley@bchydro.com>; Wong, David <David.Wong@bchydro.com>; Layton, Ryan <ryan.layton@bchydro.com>

Cc: Sauer, Darwin <Darwin.Sauer@bchydro.com>

Subject: Fwd: [External] Fwd: draft backgrounders

Hi all,

Please also see email below from govt comms with some feedback from Les^{s.13}

Thanks,

Greg

Sent from my iPhone

Begin forwarded message:

From: "McRae, Meghan GCPE:EX" <McRae.McRae@gov.bc.ca>

Date: February 20, 2021 at 2:10:15 PM PST

To: "Alexis, Greg" <Greg.Alexis@bchydro.com>

Subject: [External] Fwd: draft backgrounders

Security Risk Assessment: Use Caution

The email is from <McRae.McRae@gov.bc.ca> with a friendly name of "McRae, Meghan GCPE:EX" <McRae.McRae@gov.bc.ca>

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If you suspect this message to be phishing, please report it to BC Hydro Phishing Support
PhishingSupport@bchydro.com

Sent from my iPhone

Begin forwarded message:

From: "MacLaren, Les EMLI:EX" <Les.MacLaren@gov.bc.ca>

Date: February 20, 2021 at 1:17:56 PM PST

To: "McRae, Meghan GCPE:EX" <McRae.McRae@gov.bc.ca>, "Mihlar, Fazil EMLI:EX" <Fazil.Mihlar@gov.bc.ca>

Cc: "Wieringa, Paul EMLI:EX" <Paul.Wieringa@gov.bc.ca>, "Sopinka, Amy EMLI:EX" <Amy.Sopinka@gov.bc.ca>, "Rowe, Katherine EMLI:EX" <Katherine.Rowe@gov.bc.ca>

Subject: RE: draft backgrounders

Hi Meghan:

s.12; s.13

Les

From: McRae, Meghan GCPE:EX <Meghan.McRae@gov.bc.ca>

Sent: February 19, 2021 4:35 PM

To: Mihlar, Fazil EMLI:EX <Fazil.Mihlar@gov.bc.ca>; MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>

Subject: draft backgrounders

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s.12 ; s.13



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s.12; s.13

Page 031 of 199 to/à Page 033 of 199

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s.12 ; s.13

FW: [External] Fwd: draft backgrounders

From: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
To: MacLaren, Les EMLI:EX
Sent: February 22, 2021 1:46:55 PM PST
Received: February 22, 2021 1:46:55 PM PST
Attachments: image001.jpg

s.12; s.13

d.

From: Fischer, Carl M FIN:EX
Sent: February 22, 2021 12:06 PM
To: Foster, Doug FIN:EX ; Lianga, Diane FIN:EX
Subject: RE: [External] Fwd: draft backgrounders
s.12; s.13

Carl Fischer, CPA, CGA
Comptroller General
Province of British Columbia
T 250.387.6692



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Cc: Sauer, Darwin <Darwin.Sauer@bchydro.com>; Alexis, Greg <Greg.Alexis@bchydro.com>; O'Riley, Christopher <Chris.Oriley@bchydro.com>; Wong, David <David.Wong@bchydro.com>

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Cc: "Wieringa, Paul EMLI:EX" <Paul.Wieringa@gov.bc.ca>, "Sopinka, Amy EMLI:EX" <Amy.Sopinka@gov.bc.ca>, "Rowe, Katherine EMLI:EX" <Katherine.Rowe@gov.bc.ca>

Subject: RE: draft backgrounders

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From: McRae, Meghan GCPE:EX <Meghan.McRae@gov.bc.ca>

Sent: February 19, 2021 4:35 PM

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Subject: draft backgrounders

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- In terms of outcomes, I believe that, even with the increased cost, Site C will add significant value to BC Hydro's system, at a lower cost than the next best alternatives.
- The benefits will be enjoyed by British Columbians for 100 years and will play a key role in getting us to a net zero clean economy.
- Financially, the implications of terminating the project are far higher than they were in 2017, and, in my opinion, too much to ask British Columbians as we transition through the economic crisis precipitated by the pandemic.

Actions We Are Taking (Slide 4)

- Here are four key actions we are taking immediately.
 - 1) I am confident that implementation of Peter Milburn's recommendations will place more effective

Impacts of Cancellation (Slide 6)

Fiscal Plan

- The preliminary cost estimates for cancelling the Project is \$10 billion; ^{s.12; s.13} in sunk costs (expenditures to date) and ^{s.12; s.13} for remediation of the site and related expenses.

s.12; s.13

- If the project is cancelled, the approximately \$10 billion in in sunk, remediation and related costs would have to be written off immediately.

s.12; s.13

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Withheld pursuant to/removed as

s.12 ; s.13

- If the costs are to be recovered over 10 years, the average residential customer would see a 26% rate increase, or \$216 per year, which would persist until 2031.

s.12; s.13

RE: Question - for Feb 25 Caucus briefing on

From: Hopkins, Jim FIN:EX <Jim.Hopkins@gov.bc.ca>
To: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>, Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>
Cc: Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>, Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>, MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>, Pavlova, Anastasia FIN:EX <Anastasia.Pavlova@gov.bc.ca>
Sent: February 23, 2021 12:06:22 PM PST
Received: February 23, 2021 12:06:23 PM PST
I have amended Katherine's text below
Thanks Jim

From: Hopkins, Jim FIN:EX
Sent: February 23, 2021 10:58 AM
To: Foster, Doug FIN:EX
Cc: Rowe, Katherine EMLI:EX ; Gonzalez, Selina FIN:EX ; Sopinka, Amy EMLI:EX ; MacLaren, Les EMLI:EX
Subject: Re: Question - for Feb 25 Caucus briefing on
Good morning .. s.22 ,s.12; s.13

Sent from my iPhone

On Feb 23, 2021, at 9:30 AM, Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca> wrote:

My suggestions:
s.12; s.13

D.

From: Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>
Sent: February 23, 2021 9:01 AM
To: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
Cc: Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>; Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>; MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>; Hopkins, Jim FIN:EX <Jim.Hopkins@gov.bc.ca>
Subject: RE: Question - for Feb 25 Caucus briefing on
Thanks Doug! This is very helpful.
I propose a simple response (below). Any issues from your or Jim's perspectives?
s.12; s.13

Cheers
Katherine

From: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>

Sent: February 22, 2021 10:22 PM

To: Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>

Cc: Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>; Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>; Pavlova, Anastasia FIN:EX <Anastasia.Pavlova@gov.bc.ca>; MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>; Hopkins, Jim FIN:EX <Jim.Hopkins@gov.bc.ca>

Subject: RE: Question - for Feb 25 Caucus briefing on

s.12; s.13

My colleague Jim Hopkins may have more to add.
d

From: Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>

Sent: February 22, 2021 8:50 PM

To: Pavlova, Anastasia FIN:EX <Anastasia.Pavlova@gov.bc.ca>

Cc: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>; Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>; Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>

Subject: Question - for Feb 25 Caucus briefing on

Importance: High

Hi Anastasia – I am a colleague of Amy Sopinka's. I am working with her to prepare materials for Cabinet/TB discussions on Site C, and related briefings our Minister is providing to Caucus.

The next Caucus briefing is on Thursday. Our MO has asked for a response to the following question in advance of that meeting. May I ask for your help on a response? We'd like to get back to our MO by end of day tomorrow.

s.12; s.13

Thanks very much!

Katherine Rowe

Director, Generation and Regulatory Branch | Phone: 778.698.7190 | Cell: 250.216.5823 | Ministry of Energy, Mines and Low Carbon Innovation

turbine runners have been delivered from Brazil; much of highway re-routing is well underway; and the sub-station and first of two 500 kilovolt transmission lines are in service.

- Most of the environmental impacts have already occurred.
- Estimated termination costs are now at least \$10 billion – including just over^{s.12; s.13} in spending to date, and a further^{s.12; s.13} to end contracts, demobilize, and remediate the site to BC regulatory and environmental standards.
- Actual costs could be much higher, and would require more detailed studies.
- If Site C was terminated, the implications are the same as they were in 2017, but much more severe in scale.
- The \$10 billion would need to be written off at the time of decision, hitting both BC Hydro's and the Province's

bottom lines,^{s.12; s.13}

s.12; s.13

- There is also risk that the Province's credit rating could be downgraded, leading to higher financing costs for all provincial borrowing.

Who bears the cost? Taxpayers or Ratepayers? (Slide 14)

s.12; s.13

s.12; s.13

s.12; s.13

the recovery of the \$10 billion in termination debt over a 10-year period, the average residential customer would see their bill jump by 26% (about \$216 per year) starting next year and persisting until 2031.

s.12; s.13



Continuing Site C Better for Ratepayers and Taxpayers

- Stopping Site C now has severe impacts to ratepayers and taxpayers
- Ratepayers and taxpayers are better off completing the Project at this stage, even with higher costs



Government Fiscal Impacts of Terminating Site C

- Immediate write down of about \$10 billion (sunk, contract termination, and recognition of site remediation liability costs)
- Hits bottom lines of both BC Hydro and Province

s.12; s.13

- BC's credit rating could be downgraded resulting in higher costs for all of the Province's borrowing



Who Bears Costs – Taxpayers or Ratepayers?

- If Site C terminated, a decision on whether taxpayers or ratepayers pay off the debt is required

s.12; s.13

BC Hydro rates would
increase today (e.g., by 26% for 10 years)

s.12; s.13

BACKGROUND

Impact of Site C on BC Hydro rates

The Province of B.C. and BC Hydro evaluated the financial impacts of continuing or terminating the Site C project. The decision was made to continue building Site C at an estimated cost of \$16 billion with a one-year delay.

Impacts of terminating the project

The estimated cost to terminate the project is at least \$10.2 billion, which includes the cost of what has been spent on the project to date, termination costs to end contracts, and the cost to remediate the project site to B.C.'s environmental regulatory standards. The estimated \$10.2 billion does not factor in the cost of new energy and capacity resources that would need to be built over time to meet the province's future electricity needs.

If Site C was to be terminated, it would lead to an immediate write down of sunk and termination costs, plus recognition of the estimated environmental remediation liability. This write-down would immediately impact both BC Hydro's and the Province's bottom line. In the case of BC Hydro, this would also cause the corporation's equity to become negative, bringing into question its commercial status.

If termination costs were to be recovered through rates over a 10-year period, all customers would see a one-time estimated rate increase of about 26 per cent starting April 1, 2021 and lasting for 10 years. For an average residential customer bill, this works out to an extra \$216 per year. BC Hydro customers would incur these significant rate impacts with no associated asset or benefit to show for it.

With the termination of Site C, there is also risk that the Province's credit rating agencies could consider BC Hydro to no longer be self-sustaining. This could lead to BC Hydro's debt being viewed as taxpayer-supported and could lead to a potential downgrade of BC Hydro and the Province's credit rating, resulting in higher debt interest costs to both BC Hydro and the Province.

Impacts of continuing the project

BC Hydro's historic investments in hydroelectricity assets are why British Columbia has some of the lowest electricity rates in North America. This is because large hydroelectric projects, like Site C, appreciate in value over their long lifespan and are not typically impacted by inflation.

The cost to build Site C will be recovered through rates over the life of the assets, more than 70 years. Rate increases occur when the assets of the project go into service.

Looking at the next 10 years, continuing with the project works out to a cumulative incremental rate impact of about three per cent higher than the current forecast, which is still below

inflation over this period. This is equal to an extra \$36 per year for the average residential customer.

Contact:

Ministry of Energy, Mines and Low Carbon Innovation
Media Relations
250 952-0628



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s.12; s.13

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NEWS RELEASE

For Immediate Release
2021PREM0014-000342
Feb. 26, 2021

Office of the Premier
Ministry of Energy, Mines and Low Carbon Innovation

Province provides update, next steps for Site C

VICTORIA – The Government of British Columbia is acting to address the challenges facing Site C from COVID-19 and other factors to ensure the project is completed safely, providing British Columbians with clean, reliable and affordable electricity for the next 100 years.

“When we made the decision to move forward with Site C in 2017, none of us could have imagined the impact that the pandemic would have on projects here in B.C. and around the world,” said Premier John Horgan. “The project is facing new challenges, and we are committed to managing it in the best interests of British Columbians. Cancelling it would cause people’s electricity rates to skyrocket, and we will not burden people with additional financial stress during these difficult times with nothing to show for it. Site C is already 50% finished, and our government will complete this project, ensuring British Columbians have clean and affordable power for decades to come.”

The Province has released the Milburn review, with 17 recommendations aimed at improving oversight and governance. Government and BC Hydro have accepted all the recommendations. Peter Milburn has been retained to provide oversight on implementing the recommendations, which include enhancing the independence, mandate and expertise of the Site C Project Assurance Board and strengthening BC Hydro’s risk reporting and management.

Government has also released the geotechnical review from John France and Kaare Hoeg – two independent, world-leading experts. Their review confirmed the foundation enhancements developed to address geotechnical issues on the project’s right bank will work and will ensure the project meets the highest safety standards. France and Hoeg have been retained to provide oversight to BC Hydro while construction of the foundation enhancements is completed.

Given the challenges facing the project due to delays from COVID-19, the need for foundation enhancements and other factors, the Province has brought in new leadership at BC Hydro.

Doug Allen has been appointed the new chair of BC Hydro’s board. Allen has an extensive background in the public and private sectors in British Columbia. Most recently, he was appointed to the board of directors at Insurance Corporation of British Columbia. In 2015, he was the interim CEO of TransLink. He also has previous experience as the interim president and CEO of BC Ferries, when it was moved to a stand-alone authority from a Crown corporation. He played a direct role in establishing and restructuring both the BC Safety Authority and the BC Land Title and Survey Authority.

Allen replaces Ken Peterson, who was appointed chair on July 10, 2017. After spending more than 40 years in the electricity industry, Peterson led BC Hydro through major reforms over the past three years, including lowering electricity rates for the first time in decades and ensuring

the corporation could continue to provide affordable power to B.C. ratepayers for years to come.

“Our government has taken this situation very seriously, and with the advice of independent experts guiding us, I am confident in the path forward for Site C,” said Bruce Ralston, Minister of Energy, Mines and Low Carbon Innovation. “B.C. needs more renewable energy to electrify our economy, transition away from fossil fuels and meet our climate targets. Site C will help our province achieve these things and is currently employing about 4,500 people in good-paying jobs.”

The revised cost estimate to complete Site C is \$16 billion, with a one-year delay to complete the project (now 2025). The one-year delay due to COVID-19 is the primary reason for the increase in the cost estimate, followed by the foundation enhancements, and other cost and schedule pressures.

The costs to cancel the project, including sunk costs and the costs to remediate the site, would be at least \$10 billion. This does not include the costs of replacing the lost energy and capacity Site C would have provided.

If ratepayers were to pay off this debt over 10 years, then an immediate increase of 26% would be required that would remain in effect for the 10-year period. This is equal to \$216 a year, over 10 years, for the average residential customer. Alternatively, the debt associated with termination and remediation would fall on taxpayers and reduce the resources the Province needs for important investments in infrastructure and services to build back from the COVID-19 pandemic.

Site C will not impact rates until it comes into service, with costs being repaid over the lifetime of the project – more than 70 years. This will ensure BC Hydro customers continue to have among the lowest electricity costs in North America. Continuing with Site C at the current cost estimate means cumulative bill increases will be about \$36 a year higher for the average residential customer, or 3% higher by 2030 than under BC Hydro’s prior rates forecast, and still less than inflation over this period.

BC Hydro’s reliable, renewable hydroelectricity is key to reaching targets in the Province’s climate goals and gives the Province an advantage over jurisdictions that rely heavily on fossil fuel to generate electricity.

Learn More:

Geotechnical Safety Overview

Report: http://news.gov.bc.ca/files/Site_C_Geotechnical_Safety_Overview_Report.pdf

Site C technical briefing deck: http://news.gov.bc.ca/files/Site_C_Technical_Briefing_Deck.pdf

Milburn’s Site C Project Review: http://news.gov.bc.ca/files/Milburn_Summary_Review.pdf

There are five backgrounders accompanying this news release:

- Project status: http://news.gov.bc.ca/files/2-26-21_project_status.pdf
- Hydro rates: http://news.gov.bc.ca/files/2-26-21_hydro_rates.pdf
- Milburn review: http://news.gov.bc.ca/files/2-26-21_Milburn_review.pdf

- Right-bank foundation enhancements: http://news.gov.bc.ca/files/2-26-21_Right_Bank_Enhancements.pdf
- Site C benefits: http://news.gov.bc.ca/files/2-26-21_Site_C_benefits.pdf

Contacts:

Jen Holmwood
Press Secretary
Deputy Communications Director
Office of the Premier
Jen.Holmwood@gov.bc.ca
250 818-4881

Ministry of Energy, Mines and Low Carbon
Innovation
Media Relations
250 952-0628

Connect with the Province of B.C. at: news.gov.bc.ca/connect

KMs:

- In 2016, Christy Clark and the BC Liberals promised to push the Site C project past the point of no return.
- New geotechnical challenges have emerged, and no one could have imagined the global pandemic we're in and the delays it would cause for this project and many others.
- British Columbians don't want to be on the hook for \$10 billion in debt with nothing to show for it.
- That's exactly what would happen if the project was cancelled - and we would have paid for it with skyrocketing hydro rates (as much as a 26% increase or \$216 a year over 10 years) or taking on \$10 billion in debt that crowds out investments in services that people need.
- The project is over 50% complete. It can and will be completed safely. The Milburn review and geotechnical reviews provide a path forward.
- Completing Site C will provide BC with clean, reliable and affordable power for the next 100 years as we work to meet our climate targets and electrify our economy.

FINANCIAL QUESTIONS**What does the new estimate of \$16B for Site C mean for BC's budget?**

- The Site C project is debt-financed, consistent with other BC Hydro major capital projects.
- The revised Site C project cost estimate means that BC Hydro will be borrowing additional funds to complete the project.
- All of BC Hydro's debt is included as part of the Province's total provincial debt. BC Hydro's debt is classified as commercial self-supporting debt as costs are expected to be recovered through future commercial customer rates.

Will this decision have an impact on BC's credit rating?

- We are always monitoring our fiscal capacity and taxpayer supported debt and the impacts on our ability to borrow going forward.
- The cost of proceeding is manageable under BC Hydro's fiscal capacity.
- On the other hand, cancelling the project posed a risk that BC Hydro's debt without the asset could be considered taxpayer support debt which would have a negative impact on the Province's credit rating.

s.12; s.13

FW: [External] FW: FOR INPUT: Vancouver Sun response

From: Layton, Ryan <ryan.layton@bchydro.com>
To: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
Cc: Wong, David <David.Wong@bchydro.com>, Fischer, Carl M FIN:EX <Carl.Fischer@gov.bc.ca>, XT:Wong, David CITZ:IN
Sent: March 3, 2021 5:03:29 PM PST
Received: March 3, 2021 5:03:37 PM PST

[EXTERNAL] This email came from an external source. Only open attachments or links that you are expecting from a known sender.

Hi Doug

Thanks for the call earlier. I've added some wording below in red text that David and I are ok with.

Copying Carl as you requested.

Thanks

Ryan

From: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
Sent: 2021, March 03 3:57 PM
To: Layton, Ryan <ryan.layton@bchydro.com>
Subject: [External] FW: FOR INPUT: Vancouver Sun response

Security Risk Assessment: Use Caution

The email is from <Doug.Foster@gov.bc.ca> with a friendly name of "Foster, Doug FIN:EX"

DO NOT click on links or open attachments unless you trust the sender and are expecting the link or attachment.

If you suspect this message to be phishing, please report it to [BC Hydro Phishing Support](#)

From: McRae, Meghan GCPE:EX <Meghan.McRae@gov.bc.ca>
Sent: March 3, 2021 3:51 PM
To: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>; MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>
Cc: Grewar, Colin GCPE:EX <Colin.Grewar@gov.bc.ca>
Subject: RE: FOR INPUT: Vancouver Sun response

I've checked with Hydro, and they don't have one they could point to.

From: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
Sent: March 3, 2021 3:36 PM
To: MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>
Cc: McRae, Meghan GCPE:EX <Meghan.McRae@gov.bc.ca>; Grewar, Colin GCPE:EX <Colin.Grewar@gov.bc.ca>
Subject: RE: FOR INPUT: Vancouver Sun response

My suggestion, though lengthy.

I might suggest that we review with BC Hydro and Carl Fischer of OCG.

s.12; s.13

My thoughts.

d

s.12; s.13

From: MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>
Sent: March 3, 2021 2:17 PM
To: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
Cc: McRae, Meghan GCPE:EX <Meghan.McRae@gov.bc.ca>; Grewar, Colin GCPE:EX <Colin.Grewar@gov.bc.ca>
Subject: FW: FOR INPUT: Vancouver Sun response
Importance: High
Hi Doug:
s.12; s.13

Les

From: McRae, Meghan GCPE:EX <Meghan.McRae@gov.bc.ca>
Sent: March 3, 2021 2:06 PM
To: MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>
Cc: Grewar, Colin GCPE:EX <Colin.Grewar@gov.bc.ca>
Subject: FW: FOR INPUT: Vancouver Sun response
Importance: High

Les, see below for suggested response. Any suggestions on this one? Further edits needed?

Thanks,
Meghan

From: Alexis, Greg <Greg.Alexis@bchydro.com>

Sent: March 3, 2021 2:03 PM

To: McRae, Meghan GCPE:EX <Meghan.McRae@gov.bc.ca>

Cc: Sauer, Darwin <Darwin.Sauer@bchydro.com>; XT:Scott, Mora GCPE:IN <Mora.Scott@bchydro.com>; Grewar, Colin GCPE:EX <Colin.Grewar@gov.bc.ca>

Subject: FOR INPUT: Vancouver Sun response

Importance: High

[EXTERNAL] This email came from an external source. Only open attachments or links that you are expecting from a known sender.

Meghan,
s.12; s.13

Please advise.
Thanks,
Greg

s.12; s.13

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To: McRae, Meghan GCPE:EX <Meghan.McRae@gov.bc.ca>
Cc: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>, Wieringa, Paul EMLI:EX
<Paul.Wieringa@gov.bc.ca>, Grewar, Colin GCPE:EX
<Colin.Grewar@gov.bc.ca>
Sent: March 3, 2021 6:03:23 PM PST
Received: March 3, 2021 6:03:24 PM PST

Based on discussion with Doug, BCH and the Comptroller General.

Les

s.12; s.13

s.12; s.13

From: MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>
Sent: March 3, 2021 2:17 PM
To: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
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Importance: High
Hi Doug:
s.12; s.13

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Meghan

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Cc: Sauer, Darwin <Darwin.Sauer@bchydro.com>; XT:Scott, Mora GCPE:IN <Mora.Scott@bchydro.com>; Grewar, Colin GCPE:EX <Colin.Grewar@gov.bc.ca>
Subject: FOR INPUT: Vancouver Sun response
Importance: High

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Meghan,
s.12; s.13

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Greg

s.12; s.13

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Re: [External] FW: FOR INPUT: Vancouver Sun response

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To: MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>
Cc: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>, Wieringa, Paul EMLI:EX
<Paul.Wieringa@gov.bc.ca>, Grewar, Colin GCPE:EX
<Colin.Grewar@gov.bc.ca>
Sent: March 3, 2021 6:49:43 PM PST
Received: March 3, 2021 6:49:44 PM PST

Thanks Les, I'll share with Andrew for
MO sign-off. Sounds like they're actively looking for an example to point him to.

Sent from my iPhone

On Mar 3, 2021, at 6:03 PM, MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca> wrote:

Based on discussion with Doug, BCH and the Comptroller General.

Les

s.12; s.13

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Sent: March 3, 2021 2:17 PM
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Sent: March 3, 2021 2:03 PM
To: McRae, Meghan GCPE:EX <Meghan.McRae@gov.bc.ca>
Cc: Sauer, Darwin <Darwin.Sauer@bchydro.com>; XT:Scott, Mora GCPE:IN <Mora.Scott@bchydro.com>; Grewar, Colin GCPE:EX <Colin.Grewar@gov.bc.ca>
Subject: FOR INPUT: Vancouver Sun response
Importance: High

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Meghan,
s.12; s.13

Thanks,
Greg

s.12; s.13

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- In terms of outcomes, I believe that, even with the increased cost, Site C will add significant value to BC Hydro's system, at a lower cost than the next best alternatives.
- The benefits will be enjoyed by British Columbians for 100 years and will play a key role in getting us to a net zero clean economy.
- Financially, the implications of terminating the project are far higher than they were in 2017, and, in my opinion, too much to ask British Columbians as we transition through the economic crisis precipitated by the pandemic.

Impacts of Cancellation (Slide 6)

Fiscal Plan

- The preliminary cost estimates for cancelling the Project is \$10 billion - ^{s.12; s.13} in sunk costs (expenditures to date) and ^{s.12; s.13} for getting out of contracts, demobilizing contractors, and remediation of the site.

s.12; s.13

- The Comptroller General has been clear on implications for the Fiscal Plan.
- If the project is cancelled, the approximately \$10 billion in in sunk, termination and remediation costs would have to be written off immediately.

s.12; s.13

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Withheld pursuant to/removed as

s.12 ; s.13

s.12; s.13

- You can see the examples for the average residential customer on this slide.

s.12; s.13

Question - for Feb 25 Caucus briefing on

From: Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>
To: Pavlova, Anastasia FIN:EX <Anastasia.Pavlova@gov.bc.ca>
Cc: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>, Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>, Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>
Sent: February 22, 2021 8:50:18 PM PST

Hi Anastasia – I am a colleague of Amy Sopinka's. I am working with her to prepare materials for Cabinet/TB discussions on Site C, and related briefings our Minister is providing to Caucus. The next Caucus briefing is on Thursday. Our MO has asked for a response to the following question in advance of that meeting. May I ask for your help on a response? We'd like to get back to our MO by end of day tomorrow.
s.12; s.13

Thanks very much!

Katherine Rowe

Director, Generation and Regulatory Branch | Phone: 778.698.7190 | Cell: 250.216.5823 | Ministry of Energy, Mines and Low Carbon Innovation

Page 075 of 199 to/à Page 081 of 199

Withheld pursuant to/removed as

s.13



Continuing Site C Better for Ratepayers and Taxpayers

- Stopping Site C now has severe impacts to ratepayers and taxpayers

s.12; s.13



Government Fiscal Impacts of Terminating Site C

- Immediate write down of about \$10 billion (sunk, contract termination, and recognition of site remediation liability costs)
- Hits bottom lines of both BC Hydro and Province

s.12; s.13

- BC's credit rating could be downgraded resulting in higher costs for all borrowing



Who Bears Costs – Taxpayers or Ratepayers?

- If Site C terminated, a decision on whether taxpayers or ratepayers pay the debt for sunk, termination and remediation liability costs
- If BCUC allows ratepayers to pay, BC Hydro rates would increase today (e.g., by 26% for 10 years; ^{s.12; s.13}) with no revenue generating asset to show for it

s.12; s.13

RE: Question - for Feb 25 Caucus briefing on

From: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
To: Rowe, Katherine EMLI:EX
Cc: Gonzalez, Selina FIN:EX, Sopinka, Amy EMLI:EX, Pavlova, Anastasia FIN:EX,
MacLaren, Les EMLI:EX, Hopkins, Jim FIN:EX
Sent: February 22, 2021 10:21:37 PM PST
Attachments: image002.jpg, image005.jpg, b1 Site C Budget Rebaseline Apps.pdf, b Site C
Budget Rebaseline SUB.pdf, image001.png

s.12; s.13

My colleague Jim Hopkins may have more to add.
d

From: Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>

Sent: February 22, 2021 8:50 PM

To: Pavlova, Anastasia FIN:EX <Anastasia.Pavlova@gov.bc.ca>

Cc: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>; Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>; Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>

Subject: Question - for Feb 25 Caucus briefing on

Importance: High

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s.12; s.13

Thanks very much!

Katherine Rowe

Director, Generation and Regulatory Branch | Phone: 778.698.7190 | Cell: 250.216.5823 | Ministry of Energy, Mines and Low Carbon Innovation

Page 087 of 199 to/à Page 088 of 199

Withheld pursuant to/removed as

s.12 ; s.13

s.12; s.13

6. Scenario Review

s.12; s.13

s.12; s.13

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Page 091 of 199 to/à Page 107 of 199

Withheld pursuant to/removed as

s.12 ; s.13

Attachment K.2 – Photos comparing 2017 to 2020

Photo 1: Right Bank GSS November 2017



Photo 2: Right Bank GSS June 2020



Photo 3: Left Bank Looking Across to Right Bank 2017



Photo 4: Right Bank Looking Across June 2020



Photo 5: Left Bank Tunnel Area w/ Starter Dyke Summer 2017



Photo 6: Left Bank Tunnels June 2020



Photo 7: Worker Camp Summer 2017



Photo 8: Worker Camp Summer 2020



Photo 9: 85th Avenue Fencing Installed Dec 2017



Photo 10: 85th Avenue Quarry Developed June 2020



Photo 11: Sub-station Area Graded 2017



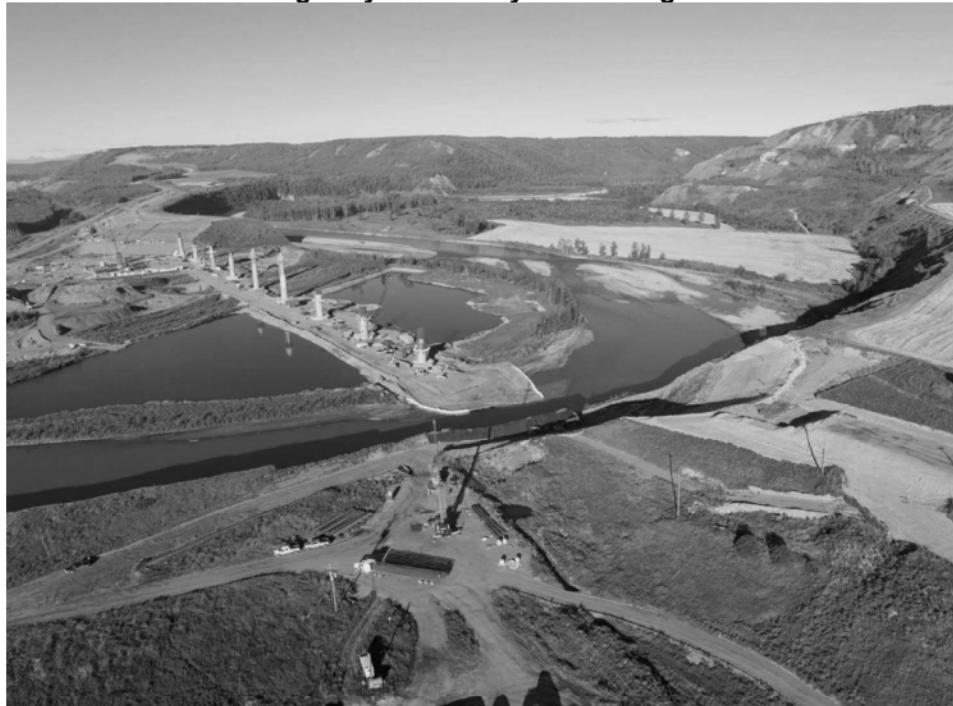
Photo 12: Sub-station Completed August 2020



Photo 13: Highway 29 Halfway River Bridge May 2019



Photo 14: Highway 29 Halfway River Bridge June 2020



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Withheld pursuant to/removed as

s.12 ; s.13



- BC Hydro, in consultation with several provincial ministries, developed high-level estimates of the costs to terminate the Project or suspend the Project for 10 years, which were assessed at s.12; s.13

s.12; s.13

s.12; s.13

Page 123 of 199 to/à Page 124 of 199

Withheld pursuant to/removed as

s.12 ; s.13



s.12; s.13

I. Other Alternatives: Terminate or Suspend the Project

Approach

In addition to developing a new budget to complete re-baselining the Project budget, Government, with BC Hydro, undertook an analysis of two alternative scenarios: terminate or suspend the Project (also described earlier).

The termination scenario assumes that the Project is cancelled immediately after a decision is made by government, and the site would be remediated to a level of public health, safety and environmental standard that contemplates a permanent shut down and no return to the site.

The suspend scenario assumes that the project is suspended for 10 years and a decision to restart would be made in the future. The Project site would be remediated to a level of public health, safety and environmental standard that contemplates hibernating the site for a decade, upon which it would be reviewed, and a decision

Page 126 of 199 to/à Page 146 of 199

Withheld pursuant to/removed as

s.12 ; s.13



s.12; s.13

Contact: Fazil Mihlar, Deputy Minister
(250) 952-0504


Honourable Bruce Ralston

December 11, 2020
Date Signed

Page 148 of 199

Withheld pursuant to/removed as

s.12 ; s.13

RE: Question - for Feb 25 Caucus briefing on

From: Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>
To: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
Cc: Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>, Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>, MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>, Hopkins, Jim FIN:EX <Jim.Hopkins@gov.bc.ca>
Sent: February 23, 2021 9:01:24 AM PST
Attachments: image002.jpg, image006.jpg, image001.png

Thanks Doug! This is very helpful.

I propose a simple response (below). Any issues from your or Jim's perspectives?

s.12; s.13

Cheers
Katherine

From: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
Sent: February 22, 2021 10:22 PM
To: Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>
Cc: Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>; Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>; Pavlova, Anastasia FIN:EX <Anastasia.Pavlova@gov.bc.ca>; MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>; Hopkins, Jim FIN:EX <Jim.Hopkins@gov.bc.ca>
Subject: RE: Question - for Feb 25 Caucus briefing on
s.12; s.13

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s.12; s.13

Thanks very much!

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Page 152 of 199 to/à Page 153 of 199

Withheld pursuant to/removed as

s.12 ; s.13

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To: Rowe, Katherine EMLI:EX
Cc: Gonzalez, Selina FIN:EX, Sopinka, Amy EMLI:EX, MacLaren, Les EMLI:EX, Hopkins, Jim FIN:EX
Sent: February 23, 2021 9:30:43 AM PST
Attachments: image001.png, image002.jpg, image006.jpg
My suggestions:
s.12; s.13

D.

From: Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>
Sent: February 23, 2021 9:01 AM
To: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
Cc: Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>; Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>; MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>; Hopkins, Jim FIN:EX <Jim.Hopkins@gov.bc.ca>
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Cc: Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>; Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>; Pavlova, Anastasia FIN:EX <Anastasia.Pavlova@gov.bc.ca>; MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>; Hopkins, Jim FIN:EX <Jim.Hopkins@gov.bc.ca>
Subject: RE: Question - for Feb 25 Caucus briefing on
s.12; s.13

Page 155 of 199

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s.12 ; s.13

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Cc: Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>, Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>, MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>, Hopkins, Jim FIN:EX <Jim.Hopkins@gov.bc.ca>
Sent: February 23, 2021 9:46:20 AM PST
Attachments: image002.jpg, image006.jpg, image001.png

Thank you!

From: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
Sent: February 23, 2021 9:31 AM
To: Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>
Cc: Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>; Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>; MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>; Hopkins, Jim FIN:EX <Jim.Hopkins@gov.bc.ca>
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My suggestions:
s.12; s.13

D.

From: Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>
Sent: February 23, 2021 9:01 AM
To: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
Cc: Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>; Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>; MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>; Hopkins, Jim FIN:EX <Jim.Hopkins@gov.bc.ca>
Subject: RE: Question - for Feb 25 Caucus briefing on
Thanks Doug! This is very helpful.
I propose a simple response (below). Any issues from your or Jim's perspectives?
s.12; s.13

Cheers
Katherine

From: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
Sent: February 22, 2021 10:22 PM
To: Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>
Cc: Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>; Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>; Pavlova, Anastasia FIN:EX <Anastasia.Pavlova@gov.bc.ca>; MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>; Hopkins, Jim FIN:EX <Jim.Hopkins@gov.bc.ca>
Subject: RE: Question - for Feb 25 Caucus briefing on
s.12; s.13

Page 158 of 199

Withheld pursuant to/removed as

s.12 ; s.13

My colleague Jim Hopkins may have more to add.
d

From: Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>

Sent: February 22, 2021 8:50 PM

To: Pavlova, Anastasia FIN:EX <Anastasia.Pavlova@gov.bc.ca>

Cc: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>; Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>; Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>

Subject: Question - for Feb 25 Caucus briefing on

Importance: High

Hi Anastasia – I am a colleague of Amy Sopinka's. I am working with her to prepare materials for Cabinet/TB discussions on Site C, and related briefings our Minister is providing to Caucus.

The next Caucus briefing is on Thursday. Our MO has asked for a response to the following question in advance of that meeting. May I ask for your help on a response? We'd like to get back to our MO by end of day tomorrow.

s.12; s.13

Thanks very much!

Katherine Rowe

Director, Generation and Regulatory Branch | Phone: 778.698.7190 | Cell: 250.216.5823 | Ministry of Energy, Mines and Low Carbon Innovation

Page 160 of 199 to/à Page 162 of 199

Withheld pursuant to/removed as

s.12 ; s.13

s.12; s.13

3) What would the potential impact of cancellation be on Government's credit rating and borrowing costs? Any specific estimates?

s.12; s.13

However, it is reasonable to expect that extra BC Hydro debt with no revenue producing asset to show for it, and uncertainty of debt recovery, will likely be viewed as credit negative.

In general terms, if the Province were to incur a downgrade in its AAA rating as a result of the Site C termination and its fiscal impacts, such that the Province's cost of borrowing rose by s.12; s.13 then the incremental impact on the Province's Fiscal Plan could be about s.12; s.13

Re: Question - for Feb 25 Caucus briefing on

From: Hopkins, Jim FIN:EX <Jim.Hopkins@gov.bc.ca>
To: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
Cc: Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>, Gonzalez, Selina
FIN:EX <Selina.Gonzalez@gov.bc.ca>, Sopinka, Amy EMLI:EX
<Amy.Sopinka@gov.bc.ca>, MacLaren, Les EMLI:EX
<Les.MacLaren@gov.bc.ca>
Sent: February 23, 2021 10:57:59 AM PST
Attachments: image002.jpg, image006.jpg
Good morning .. s.22 s.12; s.13
s.12; s.13

Sent from my iPhone

On Feb 23, 2021, at 9:30 AM, Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca> wrote:

My suggestions:
s.12; s.13

D.

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Sent: February 23, 2021 9:01 AM
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Cc: Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>; Sopinka, Amy EMLI:EX
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Page 167 of 199 to/à Page 168 of 199

Withheld pursuant to/removed as

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Cc: Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>, Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>, MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>, Pavlova, Anastasia FIN:EX <Anastasia.Pavlova@gov.bc.ca>
Sent: February 23, 2021 12:06:22 PM PST

I have amended Katherine's text below

Thanks Jim

From: Hopkins, Jim FIN:EX <Jim.Hopkins@gov.bc.ca>

Sent: February 23, 2021 10:58 AM

To: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>

Cc: Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>; Gonzalez, Selina FIN:EX <Selina.Gonzalez@gov.bc.ca>; Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>; MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>

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s.12; s.13

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s.12; s.13

Thanks very much!

Katherine Rowe

Director, Generation and Regulatory Branch | Phone: 778.698.7190 | Cell: 250.216.5823 | Ministry of Energy, Mines and Low Carbon Innovation



Continuing Site C Better for Ratepayers and Taxpayers

- Stopping Site C now has severe impacts to ratepayers and taxpayers
- Going forward, ratepayers and taxpayers are better off completing the Project at this stage, even with higher costs and a one-year delay^{s.12; s.13}

s.12; s.13



Government Fiscal Impacts of Terminating Site C

- Immediate write down of about \$10 billion (sunk, contract termination, and recognition of site remediation liability costs)
- Hits bottom lines of both BC Hydro and Province

s.12; s.13

- BC's credit rating could be downgraded resulting in higher costs for all borrowing



Who Bears Costs – Taxpayers or Ratepayers?

- If Site C terminated, a decision on whether taxpayers or ratepayers pay the debt for sunk, termination and remediation liability costs
- If BCUC allows ratepayers to pay, BC Hydro rates would increase today (e.g., by 26% for 10 years;^{s.12; s.13})
with no revenue generating asset to show for it

s.12; s.13

RE: For Review: Responses to Follow-up Caucus questions

From: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
To: Rowe, Katherine EMLI:EX, MacLaren, Les EMLI:EX
Cc: Wieringa, Paul EMLI:EX, Sopinka, Amy EMLI:EX
Sent: February 23, 2021 12:44:28 PM PST
Attachments: Followup questions.docx

s.12; s.13

d

From: Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>

Sent: February 23, 2021 10:00 AM

To: MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>

Cc: Wieringa, Paul EMLI:EX <Paul.Wieringa@gov.bc.ca>; Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>; Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>

Subject: For Review: Responses to Follow-up Caucus questions

Hi Les – here is are responses for your review. They include Amy and Doug’s comments (thanks very much you two!)

I have not run them past BC Hydro, but the answer to:

s.12; s.13

Cheers

Katherine

From: MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>

Sent: February 22, 2021 6:37 PM

To: Wieringa, Paul EMLI:EX <Paul.Wieringa@gov.bc.ca>; Rowe, Katherine EMLI:EX <Katherine.Rowe@gov.bc.ca>; Sopinka, Amy EMLI:EX <Amy.Sopinka@gov.bc.ca>

Subject: FW: Follow-up questions

A few more questions. Not sure how we answer the change order one. Think this is for Caucus on Thursday.

Les

From: Cuddy, Andrew EMLI:EX <Andrew.Cuddy@gov.bc.ca>

Sent: February 22, 2021 6:31 PM

To: Mihlar, Fazil EMLI:EX <Fazil.Mihlar@gov.bc.ca>; MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>

Cc: Jang, Monica EMLI:EX <Monica.Jang@gov.bc.ca>

Subject: Follow-up questions

This should be the last set, I promise.

Andrew Cuddy

Senior Ministerial Advisor to the Honourable Bruce Ralston

Minister of Energy, Mines and Low Carbon Innovation

s.12; s.13

Further examples can be found on the [Site C Project website](#).

3) What would the potential impact of cancellation be on Government's credit rating and borrowing costs? Any specific estimates?

s.12; s.13

However, it is reasonable to expect that extra BC Hydro debt with no revenue producing asset to show for it, and uncertainty of debt recovery, will likely be viewed as credit negative.

In general terms, if the Province were to incur a downgrade in its AAA rating as a result of the Site C termination and its fiscal impacts, then the incremental impact from increased borrowing costs on the Province's Fiscal Plan could be about s.12; s.13

station and first of two 500 kilovolt transmission lines are in service.

- Most of the environmental impacts have already occurred.
- Estimated termination costs are now at least \$10 billion – including ^{s.12; s.13} in spending to date, and a further ^{s.12; s.13} to end contracts, demobilize, and remediate the site to BC regulatory and environmental standards.
- Actual costs could be much higher, and would require more detailed studies.
- If Site C was terminated, the implications are the same as they were in 2017, but much more severe in scale.
- The \$10 billion would need to be written off at the time of decision, hitting both BC Hydro's and the Province's bottom lines, ^{s.12; s.13}

^{s.12; s.13}

s.12; s.13

- There is also risk that the Province's credit rating could be downgraded, leading to higher financing costs for all provincial borrowing.

Who bears the cost? Taxpayers or Ratepayers? (Slide 14)

s.12; s.13

s.12; s.13

- s.12; s.13 the recovery of the \$10 billion in termination debt over a 10-year period, the average residential customer would see their bill jump by 26% (about \$216 per year) starting next year and persisting until 2031.

s.12; s.13

- Site C will bring substantial benefits to British Columbians, as the other heritage assets have done before it, including supporting electricity trading and exports.
- The project will help position BC to move to a low carbon economy.
- The 1,100 megawatts of firm and flexible capacity it will add will help ensure we can bring on additional wind and other intermittent resources to provide the clean power needed to meet our GHG targets safely and reliably.
- And the alternative, terminating the Project, would lead to severe financial impacts that would threaten our economy and place an unjustifiable burden on taxpayers and ratepayers, just as we are seeking to move to recovery following the pandemic.



Continuing Site C Better for Ratepayers and Taxpayers

- Stopping Site C now has severe impacts to ratepayers and taxpayers
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s.12; s.13

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Who Bears Costs – Taxpayers or Ratepayers?

- If Site C terminated, a decision on whether taxpayers or ratepayers pay off the debt is required

- s.12; s.13 BC Hydro rates would increase today (e.g., by 26% for 10 years)

s.12; s.13

turbine runners have been delivered from Brazil; much of highway re-routing is well underway; and the sub-station and first of two 500 kilovolt transmission lines are in service.

- Most of the environmental impacts have already occurred.
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- If Site C terminated, taxpayers or ratepayers pay off the debt
- s.12; s.13 BC Hydro rates would increase today (e.g., by 26% for 10 years)

s.12; s.13

BACKGROUND

Impact of Site C on BC Hydro rates

The Province of B.C. and BC Hydro evaluated the financial impacts of continuing or terminating the Site C project. The decision was made to continue building Site C at an estimated cost of \$16 billion with a one-year delay.

Impacts of terminating the project

The estimated cost to terminate the project is at least \$10.2 billion, which includes the cost of what has been spent on the project to date, termination costs to end contracts, and the cost to remediate the project site to B.C.'s environmental regulatory standards. The estimated \$10.2 billion does not factor in the cost of new energy and capacity resources that would need to be built over time to meet the province's future electricity needs.

If Site C was to be terminated, it would lead to an immediate write down of sunk and termination costs, plus recognition of the estimated environmental remediation liability. This write-down would immediately impact both BC Hydro's and the Province's bottom line. In the case of BC Hydro, this would also cause the corporation's equity to become negative, bringing into question its commercial status.

If termination costs were to be recovered through rates over a 10-year period, all customers would see a one-time estimated rate increase of about 26 per cent starting April 1, 2021 and lasting for 10 years. For an average residential customer bill, this works out to an extra \$216 per year. BC Hydro customers would incur these significant rate impacts with no associated asset or benefit to show for it.

With the termination of Site C, there is also risk that the Province's credit rating agencies could consider BC Hydro to no longer be self-sustaining. This could lead to BC Hydro's debt being viewed as taxpayer-supported and could lead to a potential downgrade of BC Hydro and the Province's credit rating, resulting in higher debt interest costs to both BC Hydro and the Province.

Impacts of continuing the project

BC Hydro's historic investments in hydroelectricity assets are why British Columbia has some of the lowest electricity rates in North America. This is because large hydroelectric projects, like Site C, appreciate in value over their long lifespan and are not typically impacted by inflation.

The cost to build Site C will be recovered through rates over the life of the assets, more than 70 years. Rate increases occur when the assets of the project go into service.

Looking at the next 10 years, continuing with the project works out to a cumulative incremental rate impact of about three per cent higher than the current forecast, which is still below

inflation over this period. This is equal to an extra \$36 per year for the average residential customer.

Contact:

Ministry of Energy, Mines and Low Carbon Innovation
Media Relations
250 952-0628

Q.

You have just announced a new estimate of \$16B for Site C. Is that the new budget and how confident are you in that estimate?

A.

- A lot of things have changed since the Site C budget was approved in 2018. Responding to COVID-19 and a need for some new geotechnical measures to ensure the dam is safe are the biggest examples.
- Site C is now over 50% complete with the key river diversion milestone now behind us. A lot of experience has also been gained in keeping the Site C workforce safe through COVID-19, and independent experts have confirmed that new geotechnical measures will make the dam safe.
- Now, with all of this knowledge, BC Hydro has updated its cost estimate for completing the Site C project and the Project Assurance Board, under oversight of the Project Oversight Advisor, Ernst and Young, have independently assessed the estimate to verify its reasonableness.
- The updated cost estimate is based on a review of all known facts and events as they exist today, and the estimate also includes a contingency allocation. Factors like COVID-19 and a consequential 1-year in-service delay, new measures to address identified geotechnical risks, and other identified pressures have been built into the \$16 billion updated cost estimate.
- There are still a number of risks however – with varying degrees of likelihood – that will need to be managed by BC Hydro over the Site C project’s remaining construction period.
- BC Hydro, under oversight of the Project Assurance Board, the Project Oversight Advisor, the Special Advisor Mr. Milburn, and the Minister responsible, will be further analysing Project risks and reporting back to government in the coming months.
- When that work is finished, government will decide on setting an appropriate Project risk reserve if needed.

Q.

What does the new estimate of \$16B for Site C mean for BC’s budget?

A.

- The Site C project is debt-financed, consistent with other BC Hydro major capital projects.
- The revised Site C project cost estimate means that BC Hydro will be borrowing additional funds to complete the project.
- All of BC Hydro’s debt is included as part of the Province’s total provincial debt. BC Hydro’s debt is classified as commercial self-supporting debt as costs are expected to be recovered through future commercial customer rates.

DF FIN DMO – Feb 25, 2021

NEWS RELEASE

For Immediate Release
2021PREM0014-000342
Feb. 26, 2021

Office of the Premier
Ministry of Energy, Mines and Low Carbon Innovation

Province provides update, next steps for Site C

VICTORIA – The Government of British Columbia is acting to address the challenges facing Site C from COVID-19 and other factors to ensure the project is completed safely, providing British Columbians with clean, reliable and affordable electricity for the next 100 years.

“When we made the decision to move forward with Site C in 2017, none of us could have imagined the impact that the pandemic would have on projects here in B.C. and around the world,” said Premier John Horgan. “The project is facing new challenges, and we are committed to managing it in the best interests of British Columbians. Cancelling it would cause people’s electricity rates to skyrocket, and we will not burden people with additional financial stress during these difficult times with nothing to show for it. Site C is already 50% finished, and our government will complete this project, ensuring British Columbians have clean and affordable power for decades to come.”

The Province has released the Milburn review, with 17 recommendations aimed at improving oversight and governance. Government and BC Hydro have accepted all the recommendations. Peter Milburn has been retained to provide oversight on implementing the recommendations, which include enhancing the independence, mandate and expertise of the Site C Project Assurance Board and strengthening BC Hydro’s risk reporting and management.

Government has also released the geotechnical review from John France and Kaare Hoeg – two independent, world-leading experts. Their review confirmed the foundation enhancements developed to address geotechnical issues on the project’s right bank will work and will ensure the project meets the highest safety standards. France and Hoeg have been retained to provide oversight to BC Hydro while construction of the foundation enhancements is completed.

Given the challenges facing the project due to delays from COVID-19, the need for foundation enhancements and other factors, the Province has brought in new leadership at BC Hydro.

Doug Allen has been appointed the new chair of BC Hydro’s board. Allen has an extensive background in the public and private sectors in British Columbia. Most recently, he was appointed to the board of directors at Insurance Corporation of British Columbia. In 2015, he was the interim CEO of TransLink. He also has previous experience as the interim president and CEO of BC Ferries, when it was moved to a stand-alone authority from a Crown corporation. He played a direct role in establishing and restructuring both the BC Safety Authority and the BC Land Title and Survey Authority.

Allen replaces Ken Peterson, who was appointed chair on July 10, 2017. After spending more than 40 years in the electricity industry, Peterson led BC Hydro through major reforms over the past three years, including lowering electricity rates for the first time in decades and ensuring

the corporation could continue to provide affordable power to B.C. ratepayers for years to come.

“Our government has taken this situation very seriously, and with the advice of independent experts guiding us, I am confident in the path forward for Site C,” said Bruce Ralston, Minister of Energy, Mines and Low Carbon Innovation. “B.C. needs more renewable energy to electrify our economy, transition away from fossil fuels and meet our climate targets. Site C will help our province achieve these things and is currently employing about 4,500 people in good-paying jobs.”

The revised cost estimate to complete Site C is \$16 billion, with a one-year delay to complete the project (now 2025). The one-year delay due to COVID-19 is the primary reason for the increase in the cost estimate, followed by the foundation enhancements, and other cost and schedule pressures.

The costs to cancel the project, including sunk costs and the costs to remediate the site, would be at least \$10 billion. This does not include the costs of replacing the lost energy and capacity Site C would have provided.

If ratepayers were to pay off this debt over 10 years, then an immediate increase of 26% would be required that would remain in effect for the 10-year period. This is equal to \$216 a year, over 10 years, for the average residential customer. Alternatively, the debt associated with termination and remediation would fall on taxpayers and reduce the resources the Province needs for important investments in infrastructure and services to build back from the COVID-19 pandemic.

Site C will not impact rates until it comes into service, with costs being repaid over the lifetime of the project – more than 70 years. This will ensure BC Hydro customers continue to have among the lowest electricity costs in North America. Continuing with Site C at the current cost estimate means cumulative bill increases will be about \$36 a year higher for the average residential customer, or 3% higher by 2030 than under BC Hydro’s prior rates forecast, and still less than inflation over this period.

BC Hydro’s reliable, renewable hydroelectricity is key to reaching targets in the Province’s climate goals and gives the Province an advantage over jurisdictions that rely heavily on fossil fuel to generate electricity.

Learn More:

Geotechnical Safety Overview

Report: http://news.gov.bc.ca/files/Site_C_Geotechnical_Safety_Overview_Report.pdf

Site C technical briefing deck: http://news.gov.bc.ca/files/Site_C_Technical_Briefing_Deck.pdf

Milburn’s Site C Project Review: http://news.gov.bc.ca/files/Milburn_Summary_Review.pdf

There are five backgrounders accompanying this news release:

- Project status: http://news.gov.bc.ca/files/2-26-21_project_status.pdf
- Hydro rates: http://news.gov.bc.ca/files/2-26-21_hydro_rates.pdf
- Milburn review: http://news.gov.bc.ca/files/2-26-21_Milburn_review.pdf

- Right-bank foundation enhancements: http://news.gov.bc.ca/files/2-26-21_Right_Bank_Enhancements.pdf
- Site C benefits: http://news.gov.bc.ca/files/2-26-21_Site_C_benefits.pdf

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KMs:

- In 2016, Christy Clark and the BC Liberals promised to push the Site C project past the point of no return.
- New geotechnical challenges have emerged, and no one could have imagined the global pandemic we're in and the delays it would cause for this project and many others.
- British Columbians don't want to be on the hook for \$10 billion in debt with nothing to show for it.
- That's exactly what would happen if the project was cancelled - and we would have paid for it with skyrocketing hydro rates (as much as a 26% increase or \$216 a year over 10 years) or taking on \$10 billion in debt that crowds out investments in services that people need.
- The project is over 50% complete. It can and will be completed safely. The Milburn review and geotechnical reviews provide a path forward.
- Completing Site C will provide BC with clean, reliable and affordable power for the next 100 years as we work to meet our climate targets and electrify our economy.

FINANCIAL QUESTIONS**What does the new estimate of \$16B for Site C mean for BC's budget?**

- The Site C project is debt-financed, consistent with other BC Hydro major capital projects.
- The revised Site C project cost estimate means that BC Hydro will be borrowing additional funds to complete the project.
- All of BC Hydro's debt is included as part of the Province's total provincial debt. BC Hydro's debt is classified as commercial self-supporting debt as costs are expected to be recovered through future commercial customer rates.

Will this decision have an impact on BC's credit rating?

- We are always monitoring our fiscal capacity and taxpayer supported debt and the impacts on our ability to borrow going forward.
- The cost of proceeding is manageable under BC Hydro's fiscal capacity.
- On the other hand, cancelling the project posed a risk that BC Hydro's debt without the asset could be considered taxpayer support debt which would have a negative impact on the Province's credit rating.