

60 DAY DECISION NOTE

Issue: Site C Project and Independent Review

- BC Hydro (BCH) has experienced significant challenges over the last 12 months relating to identified cost, schedule, procurement, geotechnical and scope risks, including the impacts of COVID – 19.

s.12; s.13

Background:

- Site C is the third dam on Peace River in northeastern British Columbia (BC) and will generate reliable and clean electricity for more than 100 years. At about 10% of BC Hydro's supply, the Site C Project (Project) is designed to provide 5,100 gigawatt hours of electricity each year and 1,100 megawatts of firm capacity; which is enough power for 450,000 homes.
- The Project achieved river diversion on October 3, 2020 – a major project milestone despite COVID – 19.

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SITE C UPDATE

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Site C Review Engagement TOR – Final

The Ministry of Finance (“the Ministry”) plays a key role in establishing, implementing, reviewing and overseeing government’s economic, fiscal, and financial management policies, decisions, and initiatives, as well as a number of financial and corporate regulatory functions. The Ministry draws on both internal and external resources to plan and carry out its mandate.

Context

BC Hydro’s Site C Clean Energy Project (Project) will be a third dam and hydroelectric generating station on the Peace River in northeast B.C. It will provide 1,100 megawatts (MW) of capacity, and produce about 5,100 gigawatt hours (GWh) of electricity each year — enough energy to power the equivalent of about 450,000 homes per year in B.C.

The Provincial government approved the continuation of the Project in December 2017, following a review by the BC Utilities Commission (BCUC). In January 2018, the Province’s Treasury Board approved a revised Site C Project budget under oversight of BC Hydro, as well as a Project Reserve to be overseen by Treasury Board.

BC Hydro is required to submit quarterly and annual Project reports to the BCUC and to make such reports public. On July 31, BC Hydro is filing the 2019 Project annual report, as well as quarterly progress report no. 19, with the BCUC. Both reports identify overall project health and cost as being at risk, while quarterly report 19 outlines additional cost and schedule pressures resulting from COVID-19.

- The annual report covers Jan. 1 to Dec. 31, 2019, while quarterly progress report no. 19 covers Jan. 1 to Mar. 31, 2020.
- The reports use a dashboard system where key project areas are classified as red (at risk), amber (moderate issues) or green (on target).
- Both reports classify overall Project health and cost as “red”, signifying there are serious concerns due to identified cost pressures.

In addition, quarterly report #19 also classifies project scope and schedule as “red”, largely due to:

- increased cost and schedule pressures resulting from the scale-back of work on March 18 due to the COVID-19 pandemic; and
- the need for enhancements to the foundations of structures on the right bank, including the powerhouse, spillways and earth-fill dam.

The other subcategories (safety, quality, regulatory, permits and tenures, environment, procurement, Indigenous relations, litigation and stakeholder engagement) are classified as either “amber” or “green.”

Engagement

BC Hydro has experienced significant changes over the last 12 months in relation to identified cost, schedule, procurement, geotechnical and scope risks associated with the Project. Some key drivers of these changes include:

- A. Impacts of COVID – 19 and resulting changes in operations
- B. Impacts of emerging geotechnical challenges at the Project site

s.12; s.13; s.17

The Ministry, in co-operation with the Ministry of Energy, Mines and Petroleum Resources (responsible for BC Hydro and the Project), wish to engage the expert services of the Contractor. Amongst other activities the Contractor will review, clarify and evaluate the impact of recent decisions and events at all levels on Project schedule and budget, and make recommendations for mitigation measures.

The scope of the review will include the following activities:

- 1. Review and assess the governance and reporting structure in place for the Project.
- 2. Examine the latest identified cost, schedule, geotechnical, and scope risks and assumptions associated with the Project.

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- 4. Examine how and when actual and forecast assumptions and risks have changed since January 2018 to today.

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- 6. Review and assess risk management for the Project, as well as contract supervision.
- 7. Prepare a draft and final report with findings based on the above analysis, as well as options and recommendations that mitigate Project cost and schedule risks.
 - a) Prepare an Interim Report for review of the Minister and Minister of Energy, Mines and Petroleum Resources by 30 days after start of engagement.
 - b) Prepare a Final Report for review of the Minister and Minister of Energy, Mines and Petroleum Resources by 60 days after start of engagement.
- 8. The Contractor will have full access to people and records at BC Hydro and the Project. The Contractor will provide ongoing engagement progress reports to the Province Lead;
- 9. As directed by the Province Lead, provide briefings and/or presentations on the results of the Services; and
- 10. Other Services directly related to this Statement of Work as may be mutually agreed to by the Contractor and the Province Lead.



Ministry of
Energy, Mines and
Petroleum Resources



Attachment 1

Site C Project Update

Prepared for: Premier John Horgan

Date: November 4, 2020

**Prepared by: Ministry of Energy, Mines and Petroleum Resources
and Ministry of Finance**



Today's Updates

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