

From: McCann, Meghan EMPR:EX on behalf of Nikolejsin, Dave MNGD:EX
Sent: Thursday, November 9, 2017 9:48 AM
To: BCPSA Agency DMC List
Cc: BCPSA Agency DMC Admin & Operational Support
Subject: EMPR Estimates Summary
Attachments: EMPR 2017 Estimates Debate.docx

Sending on behalf of Dave Nikolejsin.

Please see the attached summary so far of the EMPR Estimates, we will be returning after break week. Please note the highlighted Ministries mentioned.

Thank you

Estimates Summary – EMPR Day 1
November 6, 2017

Mining:

Mining Jobs Task Force – impact to jobs during TF’s work.
Setting goals/targets for opening of mines
Support for Ajax Mine.
Compliance and Enforcement oversight unit.
BC-Alaska MOU
Exploration and Geoscience BC budget in EMPR
Potential process changes for companies needing exploration permits
BC mining flow-exploration tax credit – referred to MFIN
Major Mines Permitting Office
Potential changes to mines permitting process or requirements
Water discharge permits – ENV
Putting Worksafe BC in charge of mine health and safety.
Endako Mine – dust from tailings pond.
Mining and UNDRIP
 Potential changes to mine permits, conditions, operations resulting from UNDRIP
 Guidelines for consultation in mining – changes as a result of UNDRIP
 UNDRIP and ministry decision process on mines – when FN not supportive
 How many mines in permitting have FN support
 Blackwater project – update. Mention of EAO process and TRANS/FLNRO
Conuma Coal and CN Rail issues. Mention of EAO process for roads.
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Number of operating mines in BC
Competitiveness pressures on mining.
Carbon tax and mining (note for MFIN)
Status of mines in permit process – list to be sent to Critic

LNG:

Number of LNG projects in BC and Gov’t support.
LNG Conference cancellation and future
LNG Competitiveness
LNG and reducing Asia carbon emissions by replacing coal

Estimates Summary – EMPR Day 2
November 7, 2017

Geothermal energy in BC – lack of support

Permit approval for Borealis (geothermal)

Columbia Power Corp and Columbia Basin Trust and geothermal energy partnerships (note for MCFD)

Valemount and power outages – geothermal electricity.

Placer mining sector – wildfire impacts and safety

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Competitiveness of LNG industry and gov't/minister support of it.

LNG emissions legislation

Combination of former MNGD and MEM

LNG exports to Asia

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UNDRIP implementation in relation to aboriginal rights and case law (MIRR)

BC Hydro:

Executive Chairmen role vs former Chair of Board of Governors

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Site C Capital Plan for 10 years.

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 Lost revenue to BC Hydro

Fiscal performance of BC Hydro

Usage after rate increases

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Constituency

Nisgaa Hydro rates/2 Tier rate structure

Estimates Summary – EMPR Day 3

November 8, 2017

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BCUC approval requirement for freeze
Actions if BCUC denies rate freeze request
No direction from Gov't to BCUC on rate freeze
Rate freeze in relation to amortized costs from cancelling Site C

Day 4 Pending

From: Michell, Jennifer FIN:EX
Sent: Thursday, October 26, 2017 8:52 AM
To: BCPSA Agency DMC List
Cc: BCPSA Agency DMC Admin & Operational Support
Subject: FIN Estimates Summary - October 24-25, 2017
Attachments: Finance Estimates Debate - Order of Question.docx

Colleagues,

Please find attached the order of questions from the Ministry of Finance Estimates debate from October 24-25, 2017. Our Ministry's Estimates debate concluded yesterday.

Some items were raised that pertain to other Ministries (AEST, AGRI, EMPR, ENV, FLNR, JTT, MAH, PSSG, TAC & TRAN) and have been noted as such in the attached summary.

Jennifer Michell

Director, Executive Operations & Strategic Initiatives
Office of the Deputy Minister | Ministry of Finance
Tel. 250-356-6696 | Email: Jennifer.Michell@gov.bc.ca

Finance Estimates Debate – October 24-25, 2017

Morning Session - Tuesday October 24, 2017 (LINK TO BLUES)

Ministry Composition

- a. Responsibility changes within Ministry
- b. FTE/Staff compliment changes/Placement of Staff

Budget

- a. Deficits – acceptability level
- b. Commitment to Balanced Budget Legislation
- c. Transparency
- d. Use of Surplus to pay down debt
- e. Economic growth rate assumptions
 - Components of the macro-economic model
 - Impact of taxation changes on economic model
- f. Gov't revenue impacts from spending

Afternoon Session - Tuesday October 24, 2017 (LINK TO BLUES)

- g. Tax changes and impacts to government's platform
- h. Projections for retail sales

Cancellation of Infrastructure projects

- a. Site C
 - Economic/fiscal implications of the cancellation
 - Opinion of Credit Rating Agencies on the status
 - BCUC Report
- b. George Massey Tunnel
 - Consultations/funding solutions
 - Anticipated duration of the delay in project (*deferred to TRAN*)
 - Accounting treatment of funds already spent on project

Small Business

- a. Drop in confidence reported by the Canadian Federation of Independent Business (CFIB)
- b. Tax rate/potential Federal Tax changes

Factors Impacting the Budget

- a. Interest Rate Increases
- b. Mortgage Rule Changes
- c. Debt Servicing

MLA Issues

MLA Larson

- i. Proposal for wellness aquatic centre in Princeton
- ii. Constituent Specific - Home Insurance renewal credit check request.

Finance Estimates Debate – October 24-25, 2017

MLA Thornevaite

- i. Film Tax Credit System
- ii. Writer's tax credit
- iii. Labour Tax Credit/Hiring BC Directors
- iv. Feature Film investments (*Deferred to TAC*)
- v. Skills Training for Film Industry (*Deferred to AVED & JTT*)
- vi. Tax changes and consultation with film industry

MLA Ross

- i. Revenue Benefit Alliance
- ii. Funding to support negotiations
- iii. Mills Memorial Hospital/Finance's role in determination of what is included in the Capital Plan
- iv. Carbon Tax Offsets – fugitive emissions status (*Deferred to ENV*)

MLA Morris

- i. Carbon Tax – impacts to industry (Gov't operations/policing/BC Ferries/YVR/BC Aeronautical industry)

MLA Shypitka

- i. Mining Sector budgets/Net change to EMPR budget (*Deferred to EMPR*)
- ii. Mining Flow Through Share tax credit extension past 2017
- iii. Elimination of half the PST on electricity
- iv. BCHydro Rate Freeze (*Deferred to EMPR*)

MLA Stone

- i. Real Property Contractors taxation rules
- ii. Small business double taxation issue

MLA Tegar

- i. Budget allocated specifically for Wildfire Recovery (*information on specific Grants deferred to AGRI, FLNRO*)
- ii. Distribution of Red Cross Funds (*Deferred to PSSG*)
- iii. Disaster Financial Assistance Program (*Deferred to FLNRO, PSSG*)
- iv. Non-Financial Wildfire assistance (*Deferred to Ministry's responsible for specific programs*)

MLA Oakes

- i. Wildfire Support/Recovery Plan for small businesses
- ii. First Nation Communities impacted; status of road/bridge request
- iii. Capital investment for Volunteer Fire Departments

Finance Estimates Debate – October 24-25, 2017

MLA Redies

- i. Wildfire impact on GDP growth

MLA Rustad

- i. Contingencies access/economic assistance for communities impacted by Wildfire
- ii. Ministry representation on Wildfire Task Force
- iii. Red Cross support expectations (*Deferred to PSSG*)
- iv. Carbon Tax
 - a. Carbon Intensive industry (*reference to ENV*)
 - b. Equivalency Issue (*Deferred to ENV*)
 - c. Revenue Neutrality
 - d. Fugitive emissions/Wood waste (*Deferred to ENV*)

Carbon Tax

- a. Low Income Climate Rebate increase
- b. Reporting out (*Deferred to ENV*)
- c. Monitoring Component
- d. All revenue generated for green initiatives and low income families
- e. Distribution of funding for Green Initiatives in rural communities (*Deferred to ENV*)

Other Taxation

- a. Policy decisions and impacts on revenue generation
- b. Softwood Lumber
- c. NAFTA
- d. Additional Tax increases
- e. Tax Fairness/Improvements to the system
- f. Corporate Taxation
- g. New tax bracket for higher income earners

Adjourned 6:16pm

Afternoon Session – Wednesday October 25, 2017 (LINK TO BLUES)

MLA Issues

MLA Wat

- i. Elimination/review of IBA Program

MLA Barnett

- i. Wildfire Assistance/Long term recovery (*Deferred to Ministry's responsible for specific programs*)
- ii. Wildfire Working Group/Extra funding

Finance Estimates Debate – October 24-25, 2017

Capital Plan

- a. Debt-to-Revenue ratio
- b. Capital Plan Process
- c. Specific Projects status
 - Hospitals – Surrey, Terrace, Richmond Hospital
 - Pattullo Bridge
- d. Education
 - Changes to K-12 spending/Funding between previous gov't and September update
 - Cost to eliminate portables in 4 years
 - Seismic Commitment costs
- e. Post-Secondary Funding
- f. Social Housing Unit Costs (*Specific housing issues deferred to MAH*)

Confidence and Supply Agreement

- a. Why was responsibility placed in FIN
- b. Budget
- c. FTE Compliment & Salaries
- d. Oversight

MSP

- a. Appointment of a panel
- b. Reduction in MSP

Adjourned 5pm

Wensink, Alison PREM:EX

From: Howlett, Tim GCPE:EX
Sent: Monday, November 20, 2017 6:19 PM
To: Mulloy, Eleanor FIN:EX; Hannah, Matt GCPE:EX
Cc: Canitz, Shelley L PREM:EX
Subject: FW: RUSH: Estimates binder PO updates
Attachments: 12A - BCUC Site C Review (Dias and Rowe) - Nov 17 kr.docx; 14 BC Hydro 10-Year Rates Plan and Rates Freeze (Buchanan) - KR Nov 17 17.docx

Two (delayed sorry) updated version of notes for the Energy Mines and Petroleum Resources section of the Premier's Estimates binder

From: Sanderson, Melissa EMPR:EX
Sent: Friday, November 17, 2017 8:04 PM
To: Howlett, Tim GCPE:EX
Subject: Fwd: RUSH: Estimates binder PO updates

Sent from my iPhone

Begin forwarded message:

From: "Cochrane, Marlene EMPR:EX" <Marlene.Cochrane@gov.bc.ca>
Date: November 17, 2017 at 7:50:58 PM PST
To: "Sanderson, Melissa EMPR:EX" <Melissa.Sanderson@gov.bc.ca>
Cc: "Marshall, Fraser EMPR:EX" <Fraser.Marshall@gov.bc.ca>
Subject: Fw: RUSH: Estimates binder PO updates

Melissa, please see the attached notes for the Premier's Estimates binder. Dave has approved them. Thanks.

**MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES
ELECTRICITY AND ALTERNATIVE ENERGY DIVISION
ESTIMATES NOTE 2017**

ISSUE: BC Utilities Commission's Site C Review

KEY MESSAGES:

- Our government has delivered on our commitment to British Columbians by ordering an independent review of Site C to ensure we can keep electricity rates affordable.
- On August 2, 2017, we asked the BC Utilities Commission (BCUC) to assess the economic viability and consequences to British Columbians of completing, suspending or terminating the Site C project, in the context of current supply and demand conditions prevailing in the BC market.
- The BCUC delivered its final report on November 1, 2017.
- Government is now considering the BCUC's findings and recommendations, along with input from Treaty 8 First Nations, and other considerations.
- Given the complexity of the issues involved, and the significant and long-term impacts for our province, we are taking the decision on the future of Site C take very seriously. We anticipate a decision by the end of the year.

BACKGROUND:

- On August 2, 2017, government directed the BCUC to undertake a review of BC Hydro's Site C Clean Energy Project (the Site C Inquiry).
- Specifically, BCUC was asked to:
 - Confirm whether or not BC Hydro is on target to complete Site C on time and on budget;
 - Provide advice on implications for ratepayers associated with:
 - Proceeding with the project;
 - Suspending the project, while maintaining the option to resume construction until 2024; and
 - Terminating the project, remediating the site and proceeding with other resource portfolios that provide the same level of benefits at the same or lower costs as Site C.
 - Use BC Hydro's July 2016 load forecast, with updates on developments expected to impact demand as provided by BC Hydro, as a basis for making its determinations on ratepayer implications.

- The Site C Inquiry took place over 12 weeks, between August 9 and November 1, 2017. The BCUC's Final Report was informed independent advice the BCUC sought from Deloitte LLP, and 620 written and 304 oral submissions from individuals, Indigenous peoples, organizations, and BC Hydro. Thousands of pages of information on the project were provided to the BCUC and made available to the public.
- Key Findings from the BCUC's Report:
 - Completing Site C may cost in excess of \$10 billion, and the "BCUC is not persuaded the project will remain on schedule for a November 2014 in-service completion date."
 - Terminating and remediating Site C would cost approximately \$1.8 billion, in addition to \$2.1 billion in sunk costs and the cost of acquiring alternative energy resources.
 - Suspending the project is the "least attractive and most risky" scenario, and would be significantly more expensive than completing or terminating Site C.
 - BCUC found BC Hydro's mid-load forecast to be "excessively optimistic", and recommended that BC Hydro's low-load forecast would more appropriate
 - The BCUC took no position on terminating or completing Site C. Instead, based on three variables - load (demand), cost of completing Site C, and cost of alternative resources - it suggested that:
 - If Site C completion cost is \$10 B: Site C cheaper than a BCUC "Illustrative Alternative Portfolio" comprised of Demand-side Management (including industrial load curtailment), wind, and geothermal;
 - If Site C completion cost is more than \$10 B: Alternative Portfolio is cheaper than Site C, but only in low load forecast.
 - The Alternative Portfolio relies heavily on reducing demand and assuming wind and geothermal resources will become cheaper in the future.
- On October 4, 2017, the Province began consultations with eleven Treaty 8 First Nations (eight based in BC and three in Alberta). As part of this process, Ministers Mungall and Fraser met with seven of the BC-based nations (Doig River, Halfway River, Saulteau, McLeod Lake, Blueberry River, West Moberly, and Prophet River) on November 14, 2017 to hear their views.
- On November 15, 2017, the BCUC issued an errata report that noted that due to a math error the ratepayer cost of Site C should be \$336 million lower. The BCUC maintained its view that the cost of Site C and the Alternative Portfolio were virtually equivalent within the uncertainty inherent in the assumptions.

Next Steps:

- The Ministries of Energy, Mines and Petroleum Resources and Finance are leading a due diligence review on the BCUC's Final Report to support a decision by Cabinet.

**MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES
ELECTRICITY AND ALTERNATIVE ENERGY DIVISION
ESTIMATES NOTE 2017**

ISSUE: 10-Year Rates Plan and Rates Freeze

KEY MESSAGES:

10 Year Rates Plan

- In November 2013, a 10-Year Rates Plan for BC Hydro (Plan) was announced;
- The Plan includes rate increases that are required to fund BC Hydro investments in aging and new infrastructure, while ensuring a reliable electricity supply for British Columbia:
 - British Columbia Utilities Commission (BCUC) is currently finalizing rates within caps of 4 percent for last year (Fiscal 2016/17), 3.5 percent for this year (Fiscal 2017/18) and 3 percent for next year (Fiscal 2018/19) (i.e., for Years 3 to 5 of the Plan); and
 - An existing rate rider of 5 percent will stay in place over the life of the Plan to help pay down regulatory accounts.
- Under the Plan, without Site C, BC Hydro is spending on average \$1.7 billion per year in capital investment from 2014 to 2024, and with Site C, \$2.4 billion;
- The Plan adjusted BC Hydro's net income calculations (reducing BC Hydro's contributions to Government by \$2 billion over 10 years) and reduced dividend payments (allow BC Hydro to keep over \$3 billion for infrastructure investments over the term of the Plan);
- BC Hydro has completed its ninth annual rate comparison report, based on electricity rates for Fiscal 2017. The report shows that BC Hydro residential ratepayers continue to have among the lowest electricity rates in North America.

Rate Freeze

- On November 8 2017, Government delivered on its promise to freeze BC Hydro rates;
- BC Hydro has requested BCUC approval for a zero percent increase in rates for next year, amending its previous request for a 3 percent increase;
- The rate freeze will provide government the time to undertake a comprehensive review of BC Hydro, following a final decision on Site C;

- After completing a comprehensive review of BC Hydro, any cost and revenue adjustments identified will be reflected in rates starting in April 2019.

BACKGROUND:

- Electricity rate increases are required to fund investments in aging and new infrastructure that BC Hydro must make to ensure reliable supply and meet British Columbia's expanding energy needs;
- In 2011, BC Hydro applied for a 32.1 percent rate increase over three years. The rates proceeding was suspended to allow for a Deputy Ministers' Review, which made recommendations to reduce BC Hydro costs;
- In 2013, a Rates Working Group was formed to implement the longer-range policy recommendations from the Review, and set out a plan for BC Hydro;
- The Plan required that Government set rates for Fiscal 2014/15 and 2015/16 (9 percent and 6 percent rate increases, respectively), and place caps on rate increases for Fiscal 2016/17, 2017/18, and 2018/19 (4 percent, 3.5 percent and 3 percent). It spreads the rate impacts of large capital investments out over a longer period, while containing costs and gradually reducing BC Hydro's forecast contributions and dividends to Government;
- Direction No. 6 and No.7 to the BCUC and an amendment to Heritage Special Directive No. HC1 were deposited March 2014, enabling the commitments announced in the Plan;
- BC Hydro submitted a three-year revenue requirements application to the BCUC in July 2016;
- Consistent with its new Mandate Letter, BC Hydro amended its application on November 8, 2017 asking for a 0% rate increase in fiscal 2019 rather than the previously requested 3%.
- The *Clean Energy Act* requires BC Hydro to produce an annual rate comparison report;
- Currently, BC Hydro uses a Hydro Quebec report called "Comparison of Electricity Prices in Major North American Cities" to compile its rate comparison report findings;
- BC Hydro completed its ninth annual rate comparison report in November 2016; and
- On average, and in comparison with 21 other jurisdictions depending on consumption level, BC Hydro residential customers paid the fifth lowest rates, commercial customers paid the fifth lowest rates, while the industrial customers paid the seventh lowest rates.

From: Canitz, Shelley L PREM:EX
Sent: Thursday, November 9, 2017 11:45 AM
To: Hannah, Matt GCPE:EX; Cavanagh, Judy PREM:EX
Subject: FW: EMPR Estimates Summary
Attachments: EMPR 2017 Estimates Debate.docx

FYI

From: McCann, Meghan EMPR:EX **On Behalf Of** Nikolejsin, Dave MNGD:EX
Sent: Thursday, November 9, 2017 9:48 AM
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Day 4 Pending

From: Canitz, Shelley L PREM:EX
Sent: Monday, October 30, 2017 9:16 AM
To: Mulloy, Eleanor FIN:EX
Subject: FW: EMPR Contents of Estimates Binder
Attachments: 14 BC Hydro 10-Year Rates Plan and Rates Freeze (Buchanan) - ADM Approved.docx; 14A 10-Year Rates Plan Table (Buchanan) - ADM Approved.docx; 14B Rate Design Application (Buchanan) - ADM Approved.docx; 12 Site C Update (Dias) - ADM Approved.docx; 12A - BCUC Site C Review (Dias and Rowe) - ADM Approved.docx; 7. British Columbia Carbon Tax and Upstream PNG Industry - jf.docx

Please add all

From: Cochrane, Marlene EMPR:EX
Sent: Monday, October 30, 2017 9:15 AM
To: Canitz, Shelley L PREM:EX
Subject: EMPR Contents of Estimates Binder

Hi Shelley. Please see Fraser's note below and the attached documents as requested. Thanks.

Marlene Cochrane
Executive Coordinator | Deputy Minister's Office
Ministry of Energy, Mines and Petroleum Resources
Victoria | British Columbia
Phone (778) 698 7254

From: Marshall, Fraser EMPR:EX
Sent: Friday, October 27, 2017 4:42 PM
To: Cochrane, Marlene EMPR:EX
Subject: RE: EMPR Contents of Estimates Binder

Hi, we don't have one on "BCHydro finances" in our TOC, so have sent over the 10-year rate plan info. 2 Site C notes also. Hope these were the ones asked for.
Fraser

From: Canitz, Shelley L PREM:EX
Sent: Friday, October 27, 2017 3:20 PM
To: Cochrane, Marlene EMPR:EX
Cc: Mulloy, Eleanor FIN:EX
Subject: RE: EMPR Contents of Estimates Binder

Marlene – would you have notes on the following:

- Carbon Tax impact on resource sector/ Emissions intensive industries
- Site C
- BC Hydro finances

From: Cochrane, Marlene EMPR:EX
Sent: Thursday, October 19, 2017 11:51 AM
To: Canitz, Shelley L PREM:EX
Cc: Mulloy, Eleanor FIN:EX
Subject: EMPR Contents of Estimates Binder

Hi Shelley. Please find attached the notes, as requested. Thanks.

Marlene Cochrane
Executive Coordinator | Deputy Minister's Office
Ministry of Energy, Mines and Petroleum Resources
Victoria | British Columbia
Phone (778) 698 7254

From: Canitz, Shelley L PREM:EX
Sent: Wednesday, October 18, 2017 3:27 PM
To: Cochrane, Marlene EMPR:EX
Cc: Mulloy, Eleanor FIN:EX
Subject: RE: Table of Contents for Estimates Binder

Marlene – may I have the following documents (please cc Eleanor)

- ICE Fund /SDTC Partnership
- Integrated Resource Plan
- LNG projects update
- International LNG conference
- Mining exploration tax incentive programs
- Mine development projects in BC
- BC mineral exploration and mining industry snapshot
- Kinder Morgan Trans Mountain Pipeline Expansion project
- Oil and Gas revenue forecast
- Royalties discussion paper

Thank you

From: Cochrane, Marlene MEM:EX
Sent: Tuesday, September 26, 2017 3:34 PM
To: Canitz, Shelley L PREM:EX
Subject: Table of Contents for Estimates Binder

Hi Shelley. Please find attached our TOC for Estimates. Thanks.

Marlene Cochrane
Executive Coordinator | Deputy Minister's Office
Ministry of Energy, Mines and Petroleum Resources
Victoria | British Columbia
Phone (250) 952-0683

From: Canitz, Shelley L PREM:EX
Sent: Tuesday, September 26, 2017 3:12 PM
To: BCPSA Agency DMC Admin & Operational Support
Subject: RE: Table of Contents for Estimates Binder

If I could get it by Friday afternoon, that would be great. If you can't make that work, let me know what day would be possible.

Thanks
Shelley

From: Canitz, Shelley L PREM:EX
Sent: Tuesday, September 26, 2017 3:09 PM
To: BCPSA Agency DMC Admin & Operational Support
Subject: Table of Contents for Estimates Binder

Hello, all – may I have a copy of the Table of Contents for your Ministry/Agency's Estimates Binder? Even if it is in draft form, I would appreciate a copy.

Many thanks
Shelley

Shelley Canitz

Executive Director | Corporate Initiatives
Office of the Deputy Minister to the Premier
272 West Annex, Parliament Buildings | Victoria, BC | V8V 1X4
250-356-1499

**MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES
ELECTRICITY AND ALTERNATIVE ENERGY DIVISION
ESTIMATES NOTE 2017**

ISSUE: 10-Year Rates Plan and Rates Freeze

KEY MESSAGES:

- In November 2013, a 10-Year Rates Plan for BC Hydro (Plan) was announced;
- The Plan includes rate increases that are required to fund BC Hydro investments in aging and new infrastructure, while ensuring a reliable electricity supply for British Columbia:
 - Rate increases of 9 percent for Fiscal 2014/15 and 6 percent for Fiscal 2015/16 (i.e., combined 15.6 percent for Years 1 and 2 of the Plan) were prescribed;
 - British Columbia Utilities Commission (BCUC) is setting rates within caps of 4 percent for Fiscal 2016/17, 3.5 percent for Fiscal 2017/18 and 3 percent for Fiscal 2018/19 (i.e., for Years 3 to 5 of the Plan);
 - BCUC will set rate increases, and actions by BC Hydro and Government will ensure increases remains low and predictable for Fiscal 2019/20 to Fiscal 2023/24 (i.e., for Years 6 to 10 of the Plan); and
 - An existing rate rider of 5 percent will stay in place over the life of the Plan to help pay down regulatory accounts.
- Under the Plan, without Site C, BC Hydro is spending on average \$1.7 billion per year in capital investment from 2014 to 2024, and with Site C, \$2.4 billion;
- By de-linking BC Hydro's net income from rate base, BC Hydro's contributions to Government were to be reduced by \$2 billion over the Plan. As a result of proceeding with Site C, this reduction will be \$2.8 billion. Dividend reductions will allow BC Hydro to keep over \$3 billion for infrastructure investments over the term of the Plan and assist in lowering capital borrowing requirements;
- In July 2016, further changes were made to set BC Hydro's net income amounts over the next three years. To provide BC Hydro with some flexibility to manage lower revenues or higher costs and keep to the Plan, the dividend payment for 2016/17 was fixed at a minimum of \$259 million, and declines by \$100 million per year after that, reaching \$0 by 2019/20;
- BC Hydro's most recent revenue requirements application for 2016/17 to 2018/19, submitted to the BCUC in July 2016, is in alignment with the Plan;

- BC Hydro has completed its ninth annual rate comparison report, based on electricity rates for Fiscal 2017;
- BC Hydro's rate comparison report shows that BC Hydro residential ratepayers continue to have among the lowest electricity prices in North America.
- Government has committed to freezing BC Hydro rates, and will conduct a comprehensive review of the corporation.

BACKGROUND:

- Electricity rate increases are required to fund investments in aging and new infrastructure that BC Hydro must make to ensure reliable supply and meet British Columbia's expanding energy needs;
- In 2011, BC Hydro applied for a 32.1 percent rate increase over three years. The rates proceeding was suspended to allow for a Deputy Ministers' Review, which made recommendations to reduce BC Hydro costs;
- In 2013, a Rates Working Group was formed to implement the longer-range policy recommendations from the Review, and set out a plan for BC Hydro;
- The Plan required that Government set rates for Fiscal 2014/15 and 2015/16 (9 percent and 6 percent rate increases, respectively), and place caps on rate increases for Fiscal 2016/17, 2017/18, and 2018/19 (4 percent, 3.5 percent and 3 percent). It spreads the rate impacts of large capital investments out over a longer period, while containing costs and gradually reducing BC Hydro's forecast contributions and dividends to Government;
- Direction No. 6 and No.7 to the BCUC and an amendment to Heritage Special Directive No. HC1 were deposited March 2014, enabling the commitments announced in the Plan;
- s.13
- BC Hydro submitted an interim rate application of 4 percent for Fiscal 2016/17, and submitted a three-year revenue requirements application to the BCUC in July 2016 in alignment with the Plan;
- An amendment to Direction 7 was deposited in July 2016 that prescribed net income values for BC Hydro for the next three years at \$684M, \$698M and \$712M. For each year following Fiscal 2019, the net income value is fixed at \$712M;
- Special Directive No. HC1 was amended to set a minimum value of \$259M for BC Hydro's dividend payment to the Government in Fiscal 2017, equal to the amount set out in Budget 2016. This provides certainty around Government's fiscal plan and ensures that BC Hydro can continue with its planned capital spending, in the case where there is unexpected cost pressures;

- The *Clean Energy Act* requires BC Hydro to produce an annual rate comparison report;
- Currently, BC Hydro uses a Hydro Quebec report called “Comparison of Electricity Prices in Major North American Cities” to compile its rate comparison report findings;
- BC Hydro completed its ninth annual rate comparison report in November 2016; and
- On average, and in comparison with 21 other jurisdictions depending on consumption level, BC Hydro residential customers paid the fifth lowest rates, commercial customers paid the fifth lowest rates, while the industrial customers paid the seventh lowest rates.

CROSS-REFERENCE:

BC Hydro 10 Year Rates Plan Table

BCUC Role and Responsibilities

BCUC Recent Decisions

Ministry of Energy, Mines and Petroleum Resources
Estimate Note 15A- BC HYDRO 10-YEAR RATES PLAN TABLE

Actions - Key Developments – Timing

<u>Actions</u>	<u>Key Developments</u>	<u>Timing</u>
Set rate increases at 9% for 14/15 and 6% for 15/16	<ul style="list-style-type: none"> • Direction No. 6 to the BCUC under s.3 of the <i>Utilities Commission Act</i> (UCA) • Includes making 2013/14 rates permanent, adjusting return on equity, covering Powerex/CA settlement, setting rate rider, and establishing regulatory account balances and amortization (including a new rate smoothing account) • Direction was spent once BCUC established rates and other provisions 	March 5, 2014
Establish rate caps of 4% for 16/17, 3.5% for 17/18, and 3% for 18/19	<ul style="list-style-type: none"> • Direction No. 7 to the BCUC under s.3 of the UCA • Allows the BCUC to set rates at cap levels and apply any savings to regulatory accounts, or set rates below caps • Allows overages to be transferred to rate smoothing regulatory account • Changes net income growth to CPI after 2016/17 • Ensures costs prior to 2016/17 for projects, contracts and DSM can be recovered in rates • Allows for rate design on application by BC Hydro 	March 5, 2014
Change Dividend Payout	<ul style="list-style-type: none"> • Amendment to Heritage Special Directive No. HC1 to establish annual dividend payments that decrease to zero in 2021 • Establishes ongoing limitation on dividend payout to preserve a 60:40 debt: equity ratio 	March 5, 2014
Industrial Rate Design	<ul style="list-style-type: none"> • BC Hydro developed a program to provide thermomechanical pulp producers with \$100 million in funding, over four years, for energy efficiency projects • BC Hydro filed comprehensive rate design application (RDA) to BCUC (including Industrial Electricity Policy Review Task Force recommendations) • BC Hydro looking at revisions to its industrial tariff supplements (electricity supply agreement and agreement for new transmission customers) as part of Module 2 of the RDA 	October 31, 2015 Module 1 of the RDA filed September 24, 2015
Remove Tier 3 Water rentals after 2017	<ul style="list-style-type: none"> • Regulations under the <i>Water Sustainability Act</i> (WSA) Royal Assent May 29, 2014 	Brought into force (February 2016).
Implement IRP Clean Energy Strategy	<ul style="list-style-type: none"> • Engage BC Hydro, CEBC and First Nations on greater participation in projects under Standing Offer Program and future calls • MOU with CEBC and BC Hydro on further collaboration between the Ministry, CEBC and BC Hydro. • See Transition Note 14 (BC Hydro Integrated Resource Plan) 	April 2014 (ongoing)

**Rate Design
Application
Set Net Income**

- Rate Design Application submitted to BCUC
- BCUC decision on Module 1 in January 2017.
- Amendment of Direction 7 under s.3 of the *Utilities Commission Act* specifies the net income requirements for BC Hydro over the Fiscal Plan.
- Net income is specified to be \$684M in F2017, \$698M in F2018 and \$712M for every year after.

Submitted in
September 2015
Deposited
July 28, 2016

Action	Key Developments	Timing
Amend Dividend again	<ul style="list-style-type: none"> • Amendment of HC1 under the <i>Hydro and Power Authority Act</i> • Requires BC Hydro's F2017 dividend payment to be at least to the Budget 2016 value of \$259M 	Deposited July 2016
Revenue Requirements Application	<ul style="list-style-type: none"> • BC Hydro submits Full Revenue Requirements Application to the BCUC • Application seeks approval for rate increases of 4%, 3.5% and 3% for F2017, F2018 and F2019. 	Submitted in July 2016

**MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES
ELECTRICITY AND ALTERNATIVE ENERGY DIVISION
ESTIMATES NOTE 2017**

ISSUE: BC Hydro's Rate Design Application

KEY MESSAGES:

- On January 20, 2017, the British Columbia Utilities Commission (BCUC) released a decision on Module 1 of BC Hydro's 2015 Rate Design Application (RDA) approving BC Hydro's rate proposals for the main residential, commercial, and industrial rates:
 - BC Hydro's commercial rate was flattened to a single tier as customers found the inclining block confusing, and the rate structure did not result in measurable energy efficiency;
 - The Residential Inclining Block rate, which had a simpler structure, was maintained; and
 - The BCUC also decided to phase out a discounted electric heat rate, E-Plus. The BCUC's decision on the E-Plus rate is under appeal by some intervenor groups.
 - The BCUC also ruled against a proposal by some intervenors to create a lifeline rate for low income customers. The intervenors have sought leave to appeal the decision with the BC Court of Appeal.
- The BCUC accepted a pilot proposal for a "Crisis Intervention Fund" for low-income customers facing disconnection.
- The Ministry is currently investigating steps that could be taken to assist low income rate payers.
- BC Hydro is currently consulting with stakeholders on Module 2 on options for voluntary time-of-use residential and commercial rates, rates for customers not connected to the integrated BC Hydro grid, industrial terms and conditions, and other rates such as irrigation and street lighting.

BACKGROUND:

- BC Hydro has over 50 individual rate schedules set and approved by the BCUC;
- The vast majority of BC Hydro's power is sold to customers using a smaller number of standard residential, commercial, and industrial rates;
- BC Hydro has been consulting on its 2015 RDA since 2014;
- So far, the BCUC has approved BC Hydro's proposals for an industrial Freshet Rate Pilot, to continue with the residential inclining block and transmission service rates, and to simplify commercial rates;

Rates and Low Income Rate Payers:

- The BCUC rejected a proposal by the BC Old Age Pensioners Association and other anti-poverty groups (BCOAPO), opposed by BC Hydro, for an “Essential Services Usage Block” that would have increased residential rates to offer a discounted rate for a portion of low income users' consumption.
- BCOAPO appealed this decision to the BCUC and failed in their appeal. They are currently appealing to the BC Court of Appeal;
- The BCUC accepted, as a pilot, a proposal by BCOAPO for a “Crisis Intervention Fund” for customers facing disconnection. This would be funded by a fee of 25 cents per month on all residential customer bills;
- In addition, the Ministry is investigating further steps that could be taken to assist low income rate payers. Further actions may require amendments to the *Utilities Commission Act* to allow the BCUC to discriminate between different types of residential ratepayers when setting rates. Lowering rates for low income ratepayers may also require raising rates for others, to ensure utilities can still meet their revenue requirements and return a fair return on their capital investment.

E-Plus Rate:

- The BCUC ordered that the E-Plus rate be phased out over five years. The E-Plus rate gave certain customers a lower rate for electric heat on the condition that they maintained a backup heating source, and that BC Hydro would have the right to disconnect them if needed (this right had not been exercised in the 25 years of the rate's existence);
- The BCUC is considering an appeal by the E-Plus Homeowners' Group to extend the phase-out of the E-Plus rate.

Module 2:

- BC Hydro is currently receiving input from stakeholders at rate design workshops to inform a second set of rate proposals (Module 2);
- These include possible optional Time of Use rates for residential and commercial customers, including an electric vehicle charging rate. Under these rates, customers with the ability to shift their electricity consumption from high-demand to low-demand periods could lower their bills while, in principle, also lowering BC Hydro's costs;
- These also include street lighting, irrigation, and farm rates;
- BC Hydro is also looking at updating its Tariff Supplements covering terms and conditions for its industrial customers and its agreement for connecting those customers;
- BC Hydro is consulting on options for rate design for its approximately 6,800 customers in 14 remote areas that are not connected to the rest of the North American grid.

CROSS-REFERENCE:

BC Hydro 10 Year Rates Plan

BCUC Roles and Responsibilities

BCUC Recent Decisions

**MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES
ELECTRICITY AND ALTERNATIVE ENERGY DIVISION
ESTIMATES NOTE 2017**

ISSUE: Site C Update (Construction, Permitting, Litigation, Audit)

KEY MESSAGES:

- Site C is still on track to be completed by November 2024. The updated forecast cost of the project is \$8.945 billion, \$610 million over the original \$8.335 billion project budget¹
 - On October 4, 2014, BC Hydro advised the BC Utilities Commission (BCUC) that the start of the river diversion would be delayed by one year due to geotechnical and construction challenges related to tension cracks on the left (north) bank of the Peace River. The river diversion is now expected to occur in September to October 2020, but the delay related to the river diversion is not anticipated to impact the in-service date of November 2024.
 - BC Hydro estimates the delay will increase costs by \$610 million (a 7.3 percent budget increase), for a total forecast project cost of \$8.945 billion.
- More than \$4.5 billion in financial commitments have been made to date, including contracts and agreements.
- This includes the \$1.75 billion main civil works contract awarded on December 21, 2015. This contract comprises the majority of earthworks to construct the project and includes the construction of an earthfill dam, two diversion tunnels, and a concrete foundation for the generating station and spillways.
- In August 2017, Peace River Hydro Partners (PRHP) announced the withdrawal of Petrowest Corporation from its structure. PRHP has confirmed that the remaining partners intend to continue with the work, and meet the obligations in the contract.
- Until the Site C Inquiry is completed and government makes its decision on Site C:

¹ Excludes a \$440 million project reserve approved by the previous government in December 2014.

- construction and procurement to maintain the project schedule will continue, but no major contract awards will be made;
 - BC Hydro will be taking no action to remove landowners or their tenants from homes impacted by Site C; and
 - the planned Highway 29 Bear Flats/Cache Creek relocation road and bridge contracts will be deferred.
- To address concerns raised by First Nations and others regarding potential impacts to grave sites and cultural heritage sites, BC Hydro is willing to look at changes within the approved highway alignment that was reviewed as part of Environmental Impact Assessment process and is included in the Site C Environmental Assessment Certificate.

BACKGROUND:

Overview

- Subject to Government's decision regarding the future of the project, Site C would be the third dam and hydroelectric generating station on the Peace River in northeastern British Columbia, and would generate reliable and clean electricity for more than 100 years. Site C is designed to provide 5,100 gigawatt hours of electricity each year and 1,100 megawatts of capacity, which is enough power for 450,000 homes;
- Large hydro projects, such as Site C, have the ability to provide a reliable supply of both dependable capacity and energy without ongoing cost volatility. Site C would provide significant benefits:
 - Use the existing Williston reservoir — so it can generate a third of the electricity produced at WAC Bennett dam with a reservoir one-twentieth of the size;
 - Help integrate additional intermittent, clean and renewable projects — such as wind, run-of-river hydro and solar; and
 - Provide 10,000 person-years of direct construction employment over the construction period.
- The approved budget for Site C, at the time of the 2014 investment decision, was \$8.335 billion². On October 4, 2017, BC Hydro advised the BCUC that it now forecasts that the project will cost \$8.945 billion, \$610 million over the approved capital cost estimate of \$8.335 billion.
- If completed, Site C would have very low operating costs and low emissions over a 70 to 100 year project life. At the time of the final investment decision (FID), the energy cost for Site C for power delivered to the Lower Mainland was estimated at \$64 per megawatt-hour (MWh) compared to a cost of \$110 per MWh for independent power projects.

² Excludes an additional \$440 million government holds as a project reserve to account for events outside of BC Hydro's control that could occur over an eight-year construction period.

- The Joint Review Panel that undertook the environmental assessment of the project stated in its report that, “a few decades from now...Site C could appear as a wonderful gift from the ancestors of that future society, just as BC consumers today thank the dam-builders of the 1960s.” Among the conclusions, the Panel’s report stated that, “Site C would be the least expensive of alternatives and its cost advantages would increase with passing decade as inflation makes alternatives more costly.”

Construction:

- The Site C FID announcement followed provincial and federal environmental certification in October 2014. Construction started in July 2015, with an in-service date of November 2024.
- A significant amount of work has been undertaken since the construction start in July 2015:
 - More than 900 hectares of land cleared for site preparation;
 - A 1,600-person worker lodge is complete;
 - Millions of cubic metres of material have been excavated on the north and south banks of the dam site;
 - Road improvements are substantially complete;
 - A 325-metre-long temporary construction bridge across the Peace River was completed at the end of March 2016; and
 - Main civil works mobilized to the Site C dam site in March 2016 and started physical work in June 2016.
- Several procurements have been completed or are underway, including contracts for the Worker Accommodation Lodge (to ATCO Two Rivers Lodging Group, \$470 million), for the main civil works (to PRHP, \$1.75 billion), and for turbines and generator (to Voith Hydro, \$470 million);
- Key milestones include river diversion, finalization and award of the Generating Station and Spillway (GSS) contract, and site handover between the Main Civil Works and GSS vendors.
- As can be expected on a project of this size, some issues have arisen during construction. The dam site has been extensively studied and known geotechnical risks were identified at the FID. A tension crack that developed in February 2017 at the Left (North) Bank Excavation that resulted in work stoppage has been addressed and work recommenced on April 24, 2017.
- In May 2017, a smaller tension crack was observed. BC Hydro and the contractor developed a plan to continue excavation and the contractor is resolving the tension crack. However, this tension crack has impacted the Start of River Diversion which had been scheduled for September 2019.
 - On October 4, 2017, BC Hydro announced it determined that the Start of the River Diversion will be missed, and as a result, this milestone will slip a year, to September 2020. BC Hydro estimates a cost impact of 7.3 percent or \$610 million.

- Award of the GSS contract is delayed due to updates to the contract and changes to the construction schedule. BC Hydro has acknowledged further budgetary risks related the GSS procurement and the highway realignment.
- On September 15, BC Hydro posted a Request for Proposals (RFP) on BC Bid for the construction of two new transmission lines for the Site C Clean Energy Project. The RFP does not create a binding contract commitment.

Permitting/Licences/Land Related Issues:

- While a number of key authorizations and certificates, such as the Environmental Assessment Certificate and the main Water License for Site C are in place, additional authorizations will be required at both the provincial and federal levels as construction progresses. Several hundred separate authorizations will be required over the life of construction. The Province continues to consult with First Nations on all authorizations that will be required for the project;
- s.16

- Blueberry River First Nations has requested to meet with Ministers to discuss potential grave sites and steps that could be taken to avoid harm.
- While the review of Site C by the BCUC is underway, the Province has committed to continuing construction on Site C. As a result, operational permitting for Site C will continue. West Moberly and Prophet River have discontinued their appeal to the Environmental Appeal Board of the water licence.
- BC Hydro transferred funds for the dam site Crown Grant in Fiscal 2016/17. The necessary ministerial orders and orders-in-council are to be advanced subject to Government decision on the project after completion of the Site C review by the BCUC.

First Nations Benefits

- Agreements are in place with a number of Treaty 8 First Nations. Typically, the components include an Impact and Benefits Agreement, a Contracting Agreement and a Tripartite Land Agreement, to which British Columbia is also a party. Benefits to First Nations include cash payments, procurement opportunities, and the selection and transfer of provincial Crown lands and/or commitments to develop recommendations for enhanced land management initiatives. Consultations with the public, stakeholders and First Nations will occur before the Ministry of Forests, Lands, Natural Resource Operations and Regional Development confirms Crown land parcels for transfer or protection;
- The West Moberly and Prophet River First Nations are not engaging.

Community Benefits and Employment

- BC Hydro has achieved Community Agreements with the Districts of Taylor, Chetwynd and Hudson's Hope and the City of Fort St. John. A separate Legacy Benefit Agreement was reached with the PRRD in 2014 that will provide legacy benefit payments to the District and its member municipalities for 70 years once the project is operational.
- BC Hydro is utilizing an inclusive labour approach with a managed open site. This allows BC Hydro and the contractors for large work packages to accept bids from any qualified contractor, regardless of union affiliation.
- In July 2017, BC Hydro reported 2,549 workers were employed on the project, with 2,059 (81percent) identified as being from British Columbia and 703 (33 percent) on site were identified as being from the Peace River Regional District (PRRD). Nine workers in a specialized position working for construction and non-construction contractors were subject to the Labour Market Impact Assessment process under the federal Temporary Foreign Worker Program. Thirty-eight management and professionals worked for construction and non-construction contractors through the federal International Mobility Program. During the month, 62 apprentices were employed, and 193 aboriginal people and 374 women were working for construction and non-construction contractors. Subsequently, due to reduced activity over the winter months, PRHP, contractor for the Main Civil Works, has laid off workers at the project.

Litigation:

The following table summarizes the status of active Site C litigation:

Proceeding/Outcome		Date
Federal Court: Federal Environmental Approval		
Prophet River First Nation West Moberly First Nations	Dismissed Appeal Dismissed Leave to appeal to Supreme Court of Canada dismissed	August 28, 2015 January 23, 2017 June 29, 2017
Federal Court: Federal Permits		
BC Hydro Ratepayers Association	Notice of Application filed Discontinued	September 19, 2016 January 23, 2017
B.C. Court: Provincial Environmental Assessment Certificate		
Prophet River First Nation West Moberly First Nations	Petition Dismissed Appeal Dismissed Leave to appeal to Supreme Court dismissed	September 18, 2015 February 2, 2017 June 29, 2017
B.C. Court: Provincial Permits		
Prophet River First Nation West Moberly First Nations	Injunction Dismissed Petition Dismissed Appeal filed Hearing date	August 28, 2015 October 31, 2016 November 30, 2016 To Be Determined

Proceeding/Outcome		Date
Sierra Club of British Columbia	Judicial review filed Discontinued	July 20, 2016 January 27, 2017
Environmental Appeal Board		
Prophet River First Nation & West Moberly First Nations	Water Licence appeals filed Appeal withdrawn	March 29, 2016 July 12, 2017
C. London	Appeal withdrawn	September, 2017
Other Proceedings		
Building Trades v. BC Hydro	Civil claim filed Response to claim filed	March 2, 2015 April 10, 2015

- On June 29, 2017, the Supreme Court of Canada denied two leave to appeal applications filed by West Moberly and Prophet River First Nations related to the provincial and federal environmental approvals. This was the last chance to overturn the Federal and Provincial Site C environmental approval decisions.
- Of nine legal challenges of major environmental approvals and permits, four were discontinued and five dismissed by the courts. Four of the court decisions dismissing the legal challenges were appealed: three appeals were dismissed with one still pending.

Audit:

- In November 2015, the Office of Auditor General (OAG) of BC informed the Ministry and BC Hydro that the office is in the early stages of planning a performance audit of Site C identified in their July 2015 plan. The plan stated the audit would cover, "whether BC Hydro's recommendation and government's decision to build Site C was supported by sufficient information and analysis to demonstrate that it would meet government's economic, social and environmental goals."
- In August 2016, at a meeting to update Ministry staff regarding the audit, OAG staff indicated that a final decision on the audit focus had not been made, and that they would consider refocusing the audit to review procurement practices related to Site C.
- In April 2017, OAG staff indicated that information relating to the context for the exemption of Site C for a Certificate of Public Convenience and Necessity will be reviewed, such as the development of the *Clean Energy Act*, and BC Hydro's load demand forecast and financial oversight of the Site C project;
- On August 9, 2017, the OAG publicly indicated that, given the launch of the Site C review, the OAG has moved to a "watching brief" and will assess the value of continuing the performance audit after the review is complete.

Agriculture Fund:

- On July 27, 2016 BC Hydro submitted to the BC Environmental Assessment Office an Agriculture Mitigation and Compensation Plan (final) (Plan), as required by the Environmental Assessment Certificate. The Plan built on a Framework and Draft Plan that underwent public consultation. The Plan addresses four components: construction management practices, as they pertain to agriculture; development of individual farm mitigation plans; management of residual agricultural land; and establishment of a \$20 million agricultural compensation fund.
- On September 25, 2017, BC Hydro submitted a revised Plan that notes that the establishment of the agricultural fund and the stakeholder board proposed to govern the fund will proceed, subject to Government's decision regarding the future of Site C.
 - If government decides that Site C is to proceed, BC Hydro will, within 45 days from the decision, issue requests for nomination of board members, and a Request For Proposals for the fund administrator. BC Hydro would target filling all board positions filled contracting with an administrator by Summer 2018. The Agricultural funds would be transferred to the administrator by the end of Summer/early Fall 2018 for disbursement according to guidelines approved by the fund's Board of Directors.
 - If Site C is suspended by government, BC Hydro anticipates revising the current Plan. If Site C is cancelled, the Fund would not be established.
- A Consultation Steering Committee consisting of staff from BC Hydro, the Ministry of Energy, Mines and Petroleum Resources, and the Ministry of Agriculture, helped develop the Agriculture Mitigation and Compensation Plan.

Reporting:

- The Site C Reporting and Accountability Framework includes quarterly reporting to the Minister of Energy, Mines and Petroleum Resources, and is now aligned with separate reporting every six months to Treasury Board.

**MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES
ELECTRICITY AND ALTERNATIVE ENERGY DIVISION
ESTIMATES NOTE 2017**

ISSUE: BC Utilities Commission's Site C Review

KEY MESSAGES:

- Our government has delivered on our commitment to British Columbians by ordering an independent review of Site C to ensure we can keep electricity rates affordable.
- We have asked the BC Utilities Commission (BCUC) to assess the economic viability and consequences to British Columbians of completing, suspending or terminating the Site C project, in the context of current supply and demand conditions prevailing in the BC market.
- The BCUC will deliver its final report to me on November 1, 2017. Once we have it, Government will consider the advice from the BCUC, along with environmental, First Nations, jobs and other considerations, and make a final decision on the future of Site C.

BACKGROUND:

- On August 2, 2017, government directed the BCUC to undertake a review of BC Hydro's Site C Clean Energy Project (the Review)
- Rather than questioning whether or not the project should have been started, the Review is forward looking. Specifically, BCUC has been asked to:
 - Confirm whether or not BC Hydro is on target to complete Site C on time and on budget;
 - Provide advice on implications for ratepayers associated with:
 - Proceeding with the project;
 - Suspending the project, while maintaining the option to resume construction until 2024; and
 - Terminating the project, remediating the site and proceeding with other resource portfolios that provide the same level of benefits at the same or lower costs as Site C.
 - Use BC Hydro's July 2016 load forecast, with updates on developments expected to impact demand as provided by BC Hydro, as a basis for making its determinations on ratepayer implications.
- The terms of reference require the BCUC to consult with interested parties such as major industrial power consumers, ratepayers associations, Peace River communities, independent power producers, Indigenous Nations and the public. The BCUC was also empowered to seek and employ expert advice on various subjects for the purposes of the review and obtaining stakeholder input

- The Review began on August 9, 2017. Since then:
 - The BCUC invited submissions of written data and analysis relevant to the scope of the Review by August 30, 2017. BC Hydro and several other parties made submissions by that timeline.
 - The BCUC engaged Deloitte LLP, a consulting firm, to produce independent analysis on the key questions raised in the terms of reference for the review, and the BCUC made those reports public on September 8, 2017.
 - Deloitte's reports, and submissions from BC Hydro and other participants informed BCUC's preliminary report, which was publicly released on September 20, 2017. The BCUC invited stakeholders, Indigenous people, and the public to provide comments on the preliminary report by October 11, 2017.
- The BCUC has also carried out the following as part of its consultations:
 - Nine Community Input Sessions at various locations across the province between September 23 and October 11, 2017;
 - Three meetings specifically for Indigenous Nations and their representatives between September 9 and October 11, 2017, in Prince George, Vancouver and Victoria; and
 - 1.5 days of Technical Presentation Sessions on October 13 and 14, where 17 parties who made written submissions, including BC Hydro, met with the BCUC Panel to provide oral clarification or answers to Panel questions.

Summary of BCUC's Preliminary Report:

- The following summarizes highlights from the BCUC's preliminary report, including comments with respect to the key questions under the Review's terms of reference:
 - a) BCUC requires further information to assess if the project will be delivered on time:
 - The BCUC found that, as of June 30, 2017, the Site C Project was on time for an in-service date of November 2024.
 - The BCUC considered it more difficult to assess whether the Project is on schedule for a river diversion in 2019. The river diversion is a critical milestone in the construction of the dam, if that deadline is not met, it will mean a one-year delay in the project which would have a significant effect on the budget.
(NOTE: BC Hydro announced on October 4, 2017 that it will miss this critical milestone, although it still anticipates the project will meet the November 2024 in-service date).
 - The BCUC indicated it is not yet in a position to express a view on the probability that the project will remain on schedule. The BCUC is concerned that should there be a one-year delay of the river diversion any delays to subsequent activities would be more likely to affect the overall project schedule.
 - The BCUC has received submissions, including academic studies, which suggest that many large dam construction projects deliver late and over budget (e.g. Keeyask and Muskrat Falls). The BCUC does not find that generalized studies or other project comparisons are sufficiently relevant to draw specific conclusions about the Site C project.

b) Further info needed to confirm if project cost will be on budget:

- The BCUC found that it has insufficient information at this point to determine whether the Project is within its proposed budget as of June 30, 2017, and requires more information on the current assessment of project spending, the value of outstanding claims, and projected use of budget contingency.
- The BCUC expressed concern that the \$1.8 billion in expenditures reported by BC Hydro as of June 30, 2017 might not accurately represent actual spending, based on the project activities to date. BC Hydro has subsequently explained the differences between the planned and actual spending to date against the schedule to complete the dam by November 2024.
- Looking forward, the BCUC found that if the river diversion is not achieved in September 2019, then the project will not remain within the budget of \$8.335 billion, noting BC Hydro's June 2017 estimate is that a one-year project delay would cost \$630 million, and would "likely trigger a draw on the Treasury Board reserve."
- On October 4, 2017 BC Hydro advised the BCUC that it is now forecasting that the Site C project will cost \$8.945 billion, or \$610 million over the project budget of \$8.335 billion¹, due to the one-year delay in meeting the September 2019 river diversion milestone. The \$610 million additional forecast includes a contingency of \$51 million.

c) Contingency funds may be insufficient to mitigate risk of further cost over runs

- In its report to the BCUC, Deloitte identified scenarios in which the project could be up to 50% over budget.
- Considering this, the BCUC expressed concern there may not be sufficient budget contingency remaining to allow the project to come in on budget. For example, an under-estimation of the actual costs of the main civil works contract could erode any remaining contingency, leaving little for other major contracts still to be awarded, like the generator station and spillway, and/or transmission line and substation.
- The BCUC also expressed concern that the \$356 million contingency that has been allocated and committed to date by BC Hydro represented 45% of the \$794 million contingency, two years into an eight-year project, and sought further information from BC Hydro as to its expectations for future use of budget contingency. BC Hydro has subsequently confirmed that the entire \$794 million contingency has been notionally allocated, and forecasts that the total project costs will exceed the budget by \$610 million.
- The BCUC acknowledged that BC Hydro has identified cost savings in the project that increase the amount of contingency from the \$794 million in the budget to a figure of \$1.2 billion now. However, the BCUC expressed concern that the majority of those savings is related to lower-than-planned interest costs, and asked BC Hydro to comment on the effect of increases in interest rates could have on the amount of project budget contingency available. Note: BC Hydro has hedged its borrowing to 2024 to lock in historically low interest rates, which is why it allocated these savings to contingency).

¹ Excludes access to the provincial (Treasury Board) project reserve of \$440 million, approved as part of the Final Investment Decision in December 2014.

d) The cost of terminating the project would be around \$1.2 billion:

- The BCUC found the estimates provided by BC Hydro (\$1.0 billion) and those provided by Deloitte (\$1.2 billion) to be similar and appear reasonable with respect to the costs associated with terminating the project and remediating the site, and based on those figures, found that the cost to terminate and remediate the project to be \$1.05 billion.
- The BCUC accepted BC Hydro's figures that, as of December 31, 2017, there will be a total sunk cost of \$2.1 billion.

e) Further information is needed to estimate the full cost of suspending the project:

- The BCUC found it premature to reach a conclusion as to the total costs for the project in the event it is suspended and restarted again. BC Hydro has estimated it would cost approximately \$1.7 billion more to complete the project after suspension and maintenance than to complete it on the current schedule. Deloitte estimated a cost of \$1.4 billion to suspend the project, maintain it in a state of suspension and remobilize construction in 2025.
- The BCUC found the estimates provided by BC Hydro and those provided by Deloitte to be similar and appear reasonable with respect to the costs associated with suspension and maintenance of the site through 2024; however, the BCUC found a significant variance between the two with respect to costs related to restarting the project after suspension.

f) Further information is required regarding BC Hydro's load forecast:

- As per the terms of reference, the BCUC used the BC Hydro's forecasts for peak capacity and energy demand that were provided by BC Hydro for its Fiscal 2017 to Fiscal 2019 Revenue Requirement Application, and also considered the impacts of developments since the load forecast was prepared.
- While the BCUC acknowledged there are many uncertainties that make it difficult to forecast future electricity demand, it highlighted a number of issues and potential concerns with BC Hydro's load forecast as identified by Deloitte in its independent report, and raised in submissions received from other parties.
- The BCUC sought further input from BC Hydro and other participants on these issues:
 - Information related to the industrial load forecasts or the impact of recent developments in the industrial sector is insufficient. The BCUC has requested that BC Hydro answer a number of questions about BC Hydro's assessments for the LNG and non-LNG industrial load.
 - The historical instances of BC Hydro over-forecasts are greater than the under forecasts, especially in the industrial load. The accuracy of BC Hydro's historical forecasts looking out three and six years have been considerably below industry benchmarks.
 - The differences between BC Hydro's forecast drivers for Gross Domestic Product (GDP) and disposable income compared to those of the Conference Board of Canada. The BCUC requested that BC Hydro respond to a number of questions related to its forecast drivers for GDP and disposable income.

- BC Hydro's assumption that there will be no real rate increases between fiscal 2025 and fiscal 2036, since any rate increases introduced in this period could result in demand being lower than the current load forecast. The BCUC requested that BC Hydro respond to a number of questions related to future rate increases.
- Given the long-life of the Site C, BC Hydro has only identified potential upside risks to the load forecast from electrification to meet low-carbon fuel standards, and has not identified any potential downside risks. The BCUC requested that BC Hydro and other parties specifically address questions related to potential disrupting trends.

g) Further work is required to determine if alternative energy portfolios that could provide the same benefits to ratepayers at the same or lower cost than Site C:

- The BCUC based its analysis on alternative scenarios presented by BC Hydro, Deloitte and other parties. It noted that BC Hydro and Deloitte used different tools and models in developing alternative portfolios, with BC Hydro's model ("PV Portfolio Analyzer") consisting of wind and pumped storage while Deloitte's model ("MarketBuilder") consisting of biogas, geothermal and wind. The BCUC made the following general findings:
 - Biomass, geothermal, solar and battery storage are potential candidates for alternative generation and should be considered by BC Hydro.
 - Costs modelled by BC Hydro for wind may overstate the amount of decrease in capital costs expected over the next 20 years.
 - The BCUC has asked BC Hydro to run different assumptions and scenarios using the BC Hydro model ("PV Portfolio Analyzer") rather than Deloitte's model.
- The BCUC noted that in its submission BC Hydro calculated a unit energy cost (UEC) for Site C and for a portfolio of alternatives, and compared the two. BC Hydro concluded that the unit energy cost for Site C (less sunk and termination costs that would be saved should the project proceed) would be \$34 per megawatt hour (MW.h) compared to a unit energy cost of \$153 MW.h for a portfolio of alternatives.
- The BCUC found the assumptions underlying the calculation of the adjusted UECs to be not well explained, and has requested further clarification from BC Hydro.

Overall Conclusions of the Preliminary Report:

- The BCUC found that it is not yet in a position to assess the cost impact to ratepayers of continuing, suspending or terminating construction.
- Many questions remain regarding the portfolios of alternative energy that BC Hydro has assumed, and no analysis has been presented to evaluate the costs should the energy and capacity required be closer to the low or high ranges of the load forecast rather than the mid-level forecast. (Note: BC Hydro believes load and alternatives pricing sensitivities were included in its previous submissions, and will draw these to the BCUC's attention in future updates).

Additional Updates:

- On October 6, 2017, BC Hydro filed its final set of responses to the questions to BC Hydro set out in the BCUC's Preliminary Report.

- BC Hydro continues to maintain that completing Site C as planned is still the most cost-effective option, despite the announcement on October 4, 2017 forecasting additional costs. BC Hydro maintains that suspending or terminating and finding power from other sources - which carries its own set of uncertainties - would cost billions more than completing Site C.

Next Steps:

- The BCUC will submit the Final report to the Minister on November 1, 2017.
- Government will make the final decision on the future of Site C as soon as possible after this date, taking into account the advice from the BCUC, along with environmental, First Nations, jobs and other considerations.

CROSS-REFERENCE:

Site C Update

BC Hydro Rates and the Rate Freeze

BCUC Role and Responsibilities

Attachment – Questions and Answers

**Attachment:
Questions and Answers**

Site C was reviewed extensively prior to the decision to proceed with the project and has withstood all legal challenges to date. Why are you sending it to the BCUC for further review now that the project is more than two years and \$4 billion into construction?

- Construction on the \$8.945 billion² Site C project was started by the previous government in July 2015 without the independent regulatory oversight of the BCUC.
- That was wrong, however, instead of questioning whether or not the project should have been started, we must now look forward. We have sent this project to the BCUC to ensure we make the right decision for B.C. families.
- We are seeking the BCUC's advice on the costs for families of continuing, suspending or terminating the project. It's not meant to reconsider or re-examine past decisions made by the federal or provincial government, statutory decision makers or the Courts.
- The terms of reference meet our commitment to British Columbians to send Site C to the BCUC for an independent assessment, so we can get the advice we need to make the best decision for people in B.C.

How will the BCUC review impact BC Hydro's plans to remove property owners from their homes and procure contracts for the Highway 29 Bear Flats to Cache Creek re-alignment?

- BC Hydro has been in contact with property owners to advise that no action will be taken to remove them from their homes prior to the conclusion of this review.
- Highway 29 Bear Flats to Cache Creek contracts has been deferred pending the results of the BCUC review.
- The Ministry of Transportation is working with BC Hydro to find ways to mitigate the potential for the highway closures should the schedule be delayed and is confident that there are available mitigation options. One example is the option to build a temporary detour bridge and road alignment adjacent to the Cache Creek Bridge. This temporary detour bridge and alignment will not affect the timeline of the project if the BCUC review shows it should proceed.

What other Site C contract procurements will be deferred during the review?

- Two major pending procurements include Generation Station and Spillways, and Hydro-Mechanical Equipment Supply, which are not expected to be completed during the review period.

What do you say to the over 2,000 workers whose jobs are now uncertain as you send the Site C project for review?

- We think it makes sense to find out what we can do to keep hydro rates low for people.
- Construction on the project will continue as the review proceeds, and we are committed to completing the review and making our final decision on Site C as soon as possible.
- Construction on the Site C project was started by the previous government in July 2015 without the independent regulatory oversight of the BCUC.

² \$8.335 billion project budget plus \$610 million associated with the delay of river diversion to 2020.

- That was wrong, however, instead of questioning whether or not the project should have been started, we must now look forward. We're sending this project to the BCUC to ensure we make the right decision for B.C. families.
- We have been calling for a BCUC review of Site C for many years, both before and since the project began construction, and we committed to a review if elected. In the last election a majority of British Columbians voted for a party that supported either sending the project to the BCUC for review or cancelling it outright.

If BCUC recommends cancelling Site C – what will you say to the more than 2,000 workers and their families?

- We will consider the findings of the BCUC, and the impacts on workers, First Nations, the environment, and other factors in making a decision about Site C. We will not pre-judge that decision.

On August 1, 2017, you approved Waneta Dam, which happens to be in your own backyard in the Kootenays. Why are you treating the northeast differently?

- The Waneta transaction will also be subject to approval by the BCUC to ensure that it is in the best interest of B.C. families.
- The Waneta Dam also comes with a customer – the Trail Smelter – that will lease all of the power, so the supply and demand balance we are worried about at Site C will not be affected. The value of the Waneta transaction is linked to the lease payments.

What are you asking the BCUC to do in this review?

- Specifically, through the review's terms of reference, the BCUC has been asked to:
 - Confirm whether or not BC Hydro is on target to complete Site C on budget and by 2024, and;
 - Provide advice on how it will affect businesses and families that rely on hydro if we:
 - Proceed with the project;
 - Suspend the project, while maintaining the option to resume construction until 2024; and
 - Terminate the project, remediating the site and proceeding with other resource portfolios that provide the same level of benefits at the same or lower cost as Site C.
- The full terms of reference are available at the BCUC website.

Will your decision on the future of the project rest solely on economic considerations based on the advice you receive from the BCUC?

- Any future decision on Site C must not be made on economic considerations alone. We must also take environmental and social considerations and impacts to Indigenous Nations into account.
- Extensive public discussion on these points has already occurred, including through the federal-provincial environmental assessment conducted by the Joint Review Panel.
- The environmental, social and Indigenous Nations implications of Site C are well documented, and will be brought forward to Government when the decision on the future of Site C is to be made.

- The BCUC review will provide us with advice on how this decision will impact families and businesses that rely on affordable hydro rates, ensuring our decision-making process is complete and comprehensive.

Will BCUC also be looking at the use of BC Hydro's deferral accounts? Does that issue affect this decision?

- The decision on whether Site C should continue, be suspended or terminated does not directly impact BC Hydro's regulatory accounts.

What are you assuming for LNG projects in the load forecast that BCUC will be using?

- BC Hydro's 2016 Load Forecast that has been reviewed by the BCUC in BC Hydro's 3-year rates application will be used. As set out in the terms of reference, BC Hydro will provide the BCUC with any developments since that forecast was prepared, which will include any changes to assumptions on the size and timing of power needs for LNG facilities.

I thought the big issue with Site C was the flooding of the Peace River valley. Why isn't that being considered?

- The BCUC review is about the impact on families and businesses that rely on affordable BC Hydro rates of various courses of action on Site C. It is not a process to revisit the 2014 environmental certification of Site C.

When you say the BCUC will examine "proceeding with other resource portfolios that provide the same level of benefits at the same or lower costs as Site C" Does that mean that alternative portfolio must also provide 5,100 gigawatt hrs/yr of firm, dispatchable energy? Starting at the same time period?

- That will be for the BCUC to determine. The intent of the Terms of Reference is to ensure that the needs of people who rely on B.C. Hydro for affordable, reliable electricity are being examined.

Were FN's consulted before you finalized the TOR?

- No. The Terms of Reference requires the BCUC to consult interested parties. The BCUC has established a process to give First Nations, stakeholder groups and the public an opportunity to make their views known to the BCUC on the topics included in the Terms of Reference.

Will the public and Indigenous Nations and other stakeholders be given a chance to participate in the BCUC review process?

- Yes. The terms of reference require the BCUC to consult with interested parties, and empower the BCUC to structure the review in any way they see fit.
- The BCUC has developed a process to engage with the public, stakeholder groups and First Nations in its review.
- The public, First Nations and stakeholder groups have the opportunity to provide written submissions, and/or participate in Community Input sessions or meetings to make their views known to the BCUC on the topics included in the Terms of Reference

You're giving the BCUC just twelve weeks to deliver a final report. How can the Commission produce a report of any value in such a short time?

- We recognize that the timelines are tight, but it is the best interests of British Columbians and BC Hydro that Government provide a clear decision on the future of the project as soon as possible.
- To accommodate the timelines the terms of reference for the review require the BCUC to use information that is already publicly available and filed with the BCUC.
- For example, the BCUC must use BC Hydro forecasts that were filed with the Commission in July 2016 as part of BC Hydro's Revenue Requirements Application. To capture any changes that may have occurred since July 2016, the BCUC also required BC Hydro to report relevant updates. BC Hydro filed this information with the BCUC on August 30, 2017.

Can the BCUC contract some of the work out to other experts or companies in order to complete the review in time?

- Under the terms of reference for the review the BCUC can use external resources to assist in the review, which they have done. For example, they have engaged Deloitte LLP to assist in their analysis. Deloitte's reports publicly released on September 8, 2017.

Has the BCUC engaged temporary commissioners in order to complete the review in time?

- No. The review is being led by the chair of the BCUC and current commissioners, all of whom have experience reviewing large utility projects. This will confirm the independent nature, and integrity of both the BCUC and the review.

Will the interim report be made public?

- Our understanding is that the BCUC intends to use the preliminary report to consult interested parties, so yes, it will be made public.

Will the final report be made public at the time it is delivered to government?

- The BCUC's final report will be released after it is submitted to government.

How long will it take government to decide the fate of Site C after the report is delivered on Nov 1?

- The government intends to make its decision in a timely manner, but I cannot commit today to a specific timeframe.

**MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES
UPSTREAM DEVELOPMENT DIVISION
ESTIMATES NOTE**

**ISSUE: British Columbia Carbon Tax and Upstream Petroleum
and Natural Gas Industry**

KEY MESSAGES:

- The British Columbia Carbon Tax is a tax applied only to greenhouse gas (GHG) emissions generated from using fuels;
- Carbon Tax rates are \$30/tonne and have been at that level since 2012;
- Effective April 1, 2018, the Carbon Tax rates is to be increased by \$5 per tonne of carbon dioxide equivalent emissions (CO₂e) annually until rates are equal to \$50 per tonne CO₂e on April 1, 2021;
- The Ministers of Finance and Environment and Climate Change Strategy have been directed to take measures to expand the carbon tax to fugitive emissions and slash-pile burning.
- Carbon Tax revenue is estimated at \$1.2 billion in 2016/17;
- Upstream Producers paid \$261.2 million in carbon taxes during the 2016/17 fiscal year; and
- The upstream industry pays Carbon Tax on natural gas used to fuel natural gas processing plants and facilities. Approximately 10 percent of natural gas production is consumed as fuel to process and treat raw natural gas.
- Raising the price of carbon creates a strong economic signal to the oil and gas sector that will help spur innovation and move investment toward more energy- efficient technologies and energy sources such as hydro-electric power.

BACKGROUND:

- Pricing carbon emissions through the use of a carbon tax encourages government, businesses, companies and households, to pay attention to their energy use; to consider alternatives and to use less carbon intensive energy sources.
- The Government of Canada which has the ability to regulate emissions under the Canadian Environmental Protection Act has committed to ensuring all provinces have a carbon fee in place by 2018. For jurisdictions implementing an explicit price-based system, the carbon price should start at a minimum of \$10 per tonne in 2018, and rise by \$10 per year to \$50 per tonne in 2022.

- Increases in the carbon tax are in line with British Columbia's commitment to the Pan-Canadian Framework on Clean Growth and Climate Change of December 2016, where the Government of Canada, along with most provinces and territories agreed to meet greenhouse gas (GHG) emissions reduction targets and grow the economy.
 - Alberta's Carbon Tax has similar coverage to BC's in the oil and gas sector. As of January 1, 2017, the Alberta Carbon Tax is charged on all fuels that emit GHG emissions when combusted at a rate of \$20/tonne. This will increase to \$30/tonne in 2018;
 - Natural gas is an internationally transacted commodity. An increase in the Carbon Tax rate will increase the cost to bring BC resources to market and could result in producers looking to competing jurisdictions to supply natural gas feedstock¹;
 - Natural gas prices have declined significantly since the Carbon Tax was introduced in 2008. With gas prices decreasing while Carbon Tax rates increase, the effective rate of the Carbon Tax to industry increased from 0.6 percent of gross revenue to over 12.4 percent between 2008 and 2012;
 - s.13
-
- Alberta, BC and the federal government are all moving forward on regulating fugitive methane emissions from the oil and gas sector to address climate change. It will be important going forward to understand how these regulations will relate to an expansion of the Carbon Tax to fugitive emissions to avoid overlapping burdens; and
 - Fugitive emissions accounted for 9 percent of the oil and gas sector's GHG emissions or 945,037 tonnes CO₂e in 2015.

¹ Please see the Competitiveness and Royalty Programs notes for more information relating to competing basins and jurisdictions.

Wensink, Alison PREM:EX

From: Farmer, Leila PREM:EX
Sent: Wednesday, September 27, 2017 10:22 AM
To: Robinson, Jon PREM:EX; Christensen, Suzanne PREM:EX; Papik, Stephanie PREM:EX
Subject: RE: Where did we leave the Hydro rate increase sub?

Neither have I.

From: Robinson, Jon PREM:EX
Sent: Wednesday, September 27, 2017 10:21 AM
To: Christensen, Suzanne PREM:EX; Papik, Stephanie PREM:EX; Farmer, Leila PREM:EX
Subject: RE: Where did we leave the Hydro rate increase sub?

I've have not seen it

From: Christensen, Suzanne PREM:EX
Sent: Wednesday, September 27, 2017 10:16 AM
To: Papik, Stephanie PREM:EX; Farmer, Leila PREM:EX; Robinson, Jon PREM:EX
Subject: Where did we leave the Hydro rate increase sub?

Is one of you looking at it?

Sent from my iPhone

Wensink, Alison PREM:EX

From: Lloyd, Evan GCPE:EX
Sent: Tuesday, November 7, 2017 6:18 PM
To: Aaron, Sage PREM:EX; Meggs, Geoff PREM:EX
Subject: BCH Rate Freeze NR
Attachments: NR_Rate Freeze_Nov 7v3.docx; ATT00001.htm; CONFIDENTIAL DRAFT Site C Nov 7[1].docx

Please note revised Hydro Rate Freeze announcement and associated (revised) roll-out. Note that MMM indicated in estimates debate that this decision would cost \$150m
Evan

From: "Haslam, David GCPE:EX"
Date: Tuesday, November 7, 2017 at 6:11 PM
To: Robb Gibbs
Cc: Don Zadravec , Darwin Sauer , "Sanderson, Melissa EMPR:EX" , "Beaupre, Darren GCPE:EX" , "Lloyd, Evan GCPE:EX"
Subject: Fwd: revised freeze NR

Great. Including Darwin and Melissa

Sent from my iPhone

Begin forwarded message:

From: "Gibbs, Robb GCPE:EX" <Robb.Gibbs@gov.bc.ca>
Date: November 7, 2017 at 6:02:10 PM PST
To: "Lloyd, Evan GCPE:EX" <Evan.Lloyd@gov.bc.ca>, "Zadravec, Don GCPE:EX" <Don.Zadravec@gov.bc.ca>, "Haslam, David GCPE:EX" <David.Haslam@gov.bc.ca>
Subject: revised freeze NR

Here you go. David, first three paras are reworked, and slight adjustments in the penultimate para.

Tks,

R

Robb Gibbs
ADM – Strategic Communications
Government Communications & Public Engagement
P: 1-778-698-7469
C: 1-778-584-1242

NEWS RELEASE

For Immediate Release
[release number]
[Date]

Ministry of Energy, Mines and Petroleum
Resources

BC government delivers on commitment to freeze BC Hydro rates

VICTORIA – The B.C. government is delivering on its promise to freeze BC Hydro rates, putting an end to the years of spiralling electricity costs that have made life less affordable for BC homeowners and renters, Minister of Energy, Mines and Petroleum Resources Minister Michelle Mungall announced today.

BC Hydro rates have gone up by more than 24% in the last four years, and by more than 70% since 2001. Mungall says that in early 2017, BC Hydro applied to the BC Utilities Commission for a 3% increase, but will be pulling back its request consistent with this administration's commitment to a rate freeze.

"After years of escalating electricity costs, British Columbians deserve a break on their bills," said Mungall. "From the moment we took office, we've taken action to make life more affordable. As part of that, we're going to make sure that BC Hydro is working for the benefit of all British Columbians and that its rates reflect that commitment."

The rate freeze will provide government the time to undertake a comprehensive review of BC Hydro. That review will identify changes and cost savings to keep rates low while ensuring BC Hydro has the resources it needs to continue to provide clean, safe and reliable electricity. Details of the scope and process for the review will be developed once government has made a final decision on Site C.

After completing a comprehensive review of BC Hydro, any cost and revenue adjustments identified will be reflected in rates starting in April 2019.

The rate freeze follows government's commitment in its September budget update to phase out the provincial sales tax on electricity.

- 30 -

Media contacts:

Suntanu Dalal
Media Relations
Ministry of Energy, Mines and Petroleum Resources
250 952-0628

CONFIDENTIAL DRAFT
Site C Report Critical Path
(Nov 6 - Nov 20)

Timing	Event	Notes
Nov 8	MMM delivers announcement of hydro rate freeze	Announcement context: NR and stand-up; "just made the decision in Cabinet and announcing it now". Note: Prep PJH on this and Site C holding language.
Nov 9	MMM delivers announcement on three Site C actions.	Three actions: <ul style="list-style-type: none"> • Letter to BCUC to clarify some of the analysis and findings (joint EMPR and Fin) • Trip by MMM and MSF to speak with Treat 8 First Nations • Due diligence analysis of BCUC report in the context of impact on provincial debt and credit rating
Nov 9	Briefing of Green Party by EMPR, CASA officials	Site C 101 NOTE: Scheduled for 4:30 pm
Nov 14	Consultation with Treaty 8 First Nations in Fort St. John by MMM and MSF	Fulfills consultation commitment
Nov 16	MMM media avail following her meeting with First Nations	One-on-one interviews (Victoria) TBD
Nov xx	Officials (TBD) brief media on decision-making inputs	Technical background briefing
Nov xx	Briefing of caucus on technical/financial review of BCUC report	Caucus briefing

Required Collateral materials

Key messages
Q&As

From: Aaron, Sage PREM:EX
Sent: Wednesday, November 8, 2017 4:14 PM
To: Meggs, Geoff PREM:EX; Sanford, Donna L GCPE:EX; Dewar, Bob PREM:EX
Subject: FW: Site C, Hydro finances demonstrate need to reverse trend of failed Liberal economic management: Weaver
Attachments: Site C, Hydro rate freeze demonstrate failure of Liberal economic management-Weaver (1).pdf

From a couple of hours ago.

Sage
778-678-0832

From: Oliver, Jillian [<mailto:Jillian.Oliver@leg.bc.ca>]
Sent: Wednesday, November 8, 2017 2:18 PM
Subject: Site C, Hydro finances demonstrate need to reverse trend of failed Liberal economic management: Weaver

B.C. GREEN CAUCUS

For immediate release
November 8, 2017

Site C, Hydro finances demonstrate need to reverse trend of failed Liberal economic management: Weaver

VICTORIA, B.C. - Andrew Weaver, leader of the B.C. Green Party, is calling for an overhaul of BC's approach to the energy file. Weaver says that the politicization of energy has got in the way of sound fiscal management and evidence-based policies that would protect ratepayers and allow BC to become a leader in alternative energy.

"Energy has been treated like a political tool in this province, depriving British Columbians of the leadership and sound fiscal management they deserve from their government," said Weaver.

"Today, the NDP announced that they are freezing Hydro rates. B.C. Hydro is in a dire financial position due to the utter failure of the B.C. Liberals to responsibly manage our finances. They raided B.C. Hydro of more than half a billion dollars in dividends last year alone. ICBC is facing a similar financial mess for the same reason.

"Since the Liberals used LNG as a Hail Mary pass to clinch the 2013 election, they have been hell-bent on developing an industry that was never going to materialize. Due to Liberal enticements to LNG companies, British Columbians pay nearly twice as much as hypothetical LNG companies for their Hydro.

"Site C is yet another piece of this disturbing puzzle - it is billions of dollars over budget and was pushed through without proper oversight by BCUC to satisfy the LNG pipedream. BCUC, an independent body whose purpose is to protect ratepayers, was blocked from doing its job because of the Liberals' blind pursuit to get to yes at any cost.

"The NDP is at a crossroads. They can continue down this path of reckless Liberal fiscal management, or they can keep their promise to be better. While I'm glad they're reviewing BC Hydro, there are concrete steps they can take to reverse the trend of energy policy being used as a political tool. They can and

should cancel the Long Term Royalty Agreement with Progress Energy, who, by the way, is responsible for the two largest unregulated dams in North Eastern BC. They can, and should stop the pilfering of BC Hydro by requiring dividends that, if not stopped, will amount to \$2.8 billion by 2020.

"We cannot keep making political decisions while saddling future generations with debt. If the NDP truly want to make life more affordable, freezing hydro rates without developing an energy strategy - which will simply saddle our children with these costs - is not the solution. We have a generational opportunity to use this minority government to chart a new path for BC, one that takes us away from the BC Liberals fiscal mismanagement. It will require us to think big and to take bold action, but that is exactly what British Columbians deserve from their leaders."

-30-

Media contact

Jillian Oliver, Press Secretary

+1 778-650-0597 | jillian.oliver@leg.bc.ca

Jillian Oliver

Press Secretary

BC Green caucus

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B.C. GREEN CAUCUS

For immediate release
November 8, 2017

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-30-

Media contact

Jillian Oliver, Press Secretary

+1 778-650-0597 | jillian.oliver@leg.bc.ca

From: Sanderson, Melissa EMPR:EX
Sent: Friday, November 10, 2017 10:26 AM
To: Holmwood, Jen PREM:EX
Cc: McNish, James EMPR:EX
Subject: Re: Media Request: Site C comments

Sure - I will send it to him

Sent from my iPhone

On Nov 10, 2017, at 10:20 AM, Holmwood, Jen PREM:EX <Jen.Holmwood@gov.bc.ca> wrote:

Can I ask you to have your CD follow up on his request?

Jen Holmwood
Deputy Communications Director
Office of the Premier | Government of BC
250-818-4881

Begin forwarded message:

From: Matt Preprost <editor@ahnfsj.ca>
Date: November 10, 2017 at 10:13:48 AM PST
To: "jen.holmwood@gov.bc.ca" <jen.holmwood@gov.bc.ca>
Subject: Media Request: Site C comments

Good Morning Jen,

Just following up on my voicemail and previous email that bounced back from your old BC NDP account.

Can you please confirm a Globe and Mail report that the government cabinet is looking at moving the costs of cancelling Site C from BC Hydro to the provincial debt?

<https://beta.theglobeandmail.com/news/british-columbia/bc-hydro-feels-revenue-squeeze-while-ndp-commits-to-rate-freeze/article36889306/>

Is it possible to get a response and statement by my deadline today -- 2 pm MST because of the Remembrance Day stat.

Thanks!

Matt Preprost, Managing Editor

Alaska Highway News | Pipeline News North

250-785-5631 | www.alaskahighwaynews.ca

From: Matt Preprost

Sent: Friday, November 10, 2017 7:51 AM

To: stephanie.sherlock@gov.bc.ca; jen.holmwood@bcndp.ca

Subject: Media Request: Site C comments

Good Morning Jen and Stephanie,

Can you please confirm a Globe and Mail report that the government cabinet is looking at moving the costs of cancelling Site C from BC Hydro to the provincial debt?

<https://beta.theglobeandmail.com/news/british-columbia/bc-hydro-feels-revenue-squeeze-while-ndp-commits-to-rate-freeze/article36889306/>

I need a response and statement by my noon deadline.

Thank you in advance!

Matt Preprost, Managing Editor

Alaska Highway News | Pipeline News North

250-785-5631 | www.alaskahighwaynews.ca

From: Holmwood, Jen PREM:EX
Sent: Thursday, November 9, 2017 8:18 AM
To: McConnell, Sheena PREM:EX
Subject: Fwd: re Claim MMM confirmed 10% rate hike

If it comes up with media...

Jen Holmwood
Deputy Communications Director
Office of the Premier | Government of BC
250-818-4881

Begin forwarded message:

From: "Howlett, Tim GCPE:EX" <Tim.Howlett@gov.bc.ca>
Date: November 9, 2017 at 8:17:00 AM PST
To: "Aaron, Sage PREM:EX" <Sage.Aaron@gov.bc.ca>, "Hannah, Matt GCPE:EX" <Matt.Hannah@gov.bc.ca>, "Holmwood, Jen PREM:EX" <Jen.Holmwood@gov.bc.ca>
Subject: re Claim MMM confirmed 10% rate hike

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- This is why the government is doing due diligence and carefully analysing the report and all the issues involved in making a decision in the interests of British Columbians.

Copyright

Tim Howlett
Issues Manager
Strategic Issues Division, GCPE
250.208.4828

From: Sanderson, Melissa EMPR:EX
Sent: Friday, November 24, 2017 3:36 PM
To: Holmwood, Jen PREM:EX; Aaron, Sage PREM:EX
Subject: Rob Shaw - Rate Freeze (Attributable Quote)

Do you have any issues with the below quote (not sure I can even get it approved by MMM in time). If not, would be on background. I kind of want to keep just the first two quotes, and delete the third but want your opinion.

Reporter: Rob Shaw, Vancouver Sun

Deadline: 4 p.m. today.

Request: I'm going to do a column on the transcript from the BCUC rate review preliminary conference Thursday. It says that a decision won't be made until probably mid-late January, depending on the questions written to Hydro and so on.

I'm wondering what the minister thinks of this timeline? Does that not run right up to the provincial budget? Are there no budget implications for Hydro or government in not knowing if the rate hike will be allowed until that late? And what is the backup plan if the BCUC does not allow it - anything? Is government considering a cabinet order to require the BCUC to approve it, and spare two months of written back and forth on the issue? Would prefer minister but if all there is a statement, I guess that will have to do.

Recommendation: Have GCPE provide a statement attributable to MMM by email.

Response:

"We respect the British Columbia Utilities Commission's role as the province's independent energy regulator, while following through on our commitment to freeze hydro rates and make life more affordable for British Columbians.

"BC Hydro has requested approval from the BCUC to change next year's rate increase from three per cent to zero per cent. The rate freeze will give government and BC Hydro the time necessary to undertake a comprehensive review of BC Hydro. That review will identify savings and changes we can make to keep rates low and predictable in the future while ensuring BC Hydro has the revenue it needs to provide safe, reliable and affordable electricity to British Columbians. We are confident that BC Hydro will identify savings and changes that will help to address BC Hydro's revenue gap.

"We are not predicting any changes to the fiscal plan if the BCUC approves the request. If the BCUC does not approve BC Hydro's request for a rate freeze, government and BC Hydro will look to other ways to effectively freeze BC Hydro rates effective April 1, 2018."

From: [Lloyd, Evan GCPE:EX](#)
To: [Aaron, Sage PREM:EX](#); [Meggs, Geoff PREM:EX](#)
Subject: BCH Rate Freeze NR
Date: Tuesday, November 7, 2017 6:18:31 PM
Attachments: [NR_Rate_Freeze_Nov_7v3.docx](#)
[ATT00001.htm](#)
[CONFIDENTIAL DRAFT Site C Nov 7I11.docx](#)

Please note revised Hydro Rate Freeze announcement and associated (revised) roll-out. Note that MMM indicated in estimates debate that this decision would cost \$150m

Evan

From: "Haslam, David GCPE:EX"

Date: Tuesday, November 7, 2017 at 6:11 PM

To: Robb Gibbs

Cc: Don Zadravec , Darwin Sauer , "Sanderson, Melissa EMPR:EX" , "Beaupre, Darren GCPE:EX" , "Lloyd, Evan GCPE:EX"

Subject: Fwd: revised freeze NR
Great. Including Darwin and Melissa

Sent from my iPhone

Begin forwarded message:

From: "Gibbs, Robb GCPE:EX" <Robb.Gibbs@gov.bc.ca>

Date: November 7, 2017 at 6:02:10 PM PST

To: "Lloyd, Evan GCPE:EX" <Evan.Lloyd@gov.bc.ca>, "Zadravec, Don GCPE:EX" <Don.Zadravec@gov.bc.ca>, "Haslam, David GCPE:EX" <David.Haslam@gov.bc.ca>

Subject: revised freeze NR

Here you go. David, first three paras are reworked, and slight adjustments in the penultimate para.

Tks,

R

Robb Gibbs

ADM – Strategic Communications

Government Communications & Public Engagement

P: 1-778-698-7469

C: 1-778-584-1242

NEWS RELEASE

For Immediate Release
[release number]
[Date]

Ministry of Energy, Mines and Petroleum
Resources

BC government delivers on commitment to freeze BC Hydro rates

VICTORIA – The B.C. government is delivering on its promise to freeze BC Hydro rates, putting an end to the years of spiralling electricity costs that have made life less affordable for BC homeowners and renters, Minister of Energy, Mines and Petroleum Resources Minister Michelle Mungall announced today.

BC Hydro rates have gone up by more than 24% in the last four years, and by more than 70% since 2001. Mungall says that in early 2017, BC Hydro applied to the BC Utilities Commission for a 3% increase, but will be pulling back its request consistent with this administration's commitment to a rate freeze.

"After years of escalating electricity costs, British Columbians deserve a break on their bills," said Mungall. "From the moment we took office, we've taken action to make life more affordable. As part of that, we're going to make sure that BC Hydro is working for the benefit of all British Columbians and that its rates reflect that commitment."

The rate freeze will provide government the time to undertake a comprehensive review of BC Hydro. That review will identify changes and cost savings to keep rates low while ensuring BC Hydro has the resources it needs to continue to provide clean, safe and reliable electricity. Details of the scope and process for the review will be developed once government has made a final decision on Site C.

After completing a comprehensive review of BC Hydro, any cost and revenue adjustments identified will be reflected in rates starting in April 2019.

The rate freeze follows government's commitment in its September budget update to phase out the provincial sales tax on electricity.

- 30 -

Media contacts:

Suntanu Dalal
Media Relations
Ministry of Energy, Mines and Petroleum Resources
250 952-0628

CONFIDENTIAL DRAFT
Site C Report Critical Path
(Nov 6 - Nov 20)

Timing	Event	Notes
Nov 8	MMM delivers announcement of hydro rate freeze	Announcement context: NR and stand-up; “just made the decision in Cabinet and announcing it now”. Note: Prep PJH on this and Site C holding language.
Nov 9	MMM delivers announcement on three Site C actions.	Three actions: <ul style="list-style-type: none"> • Letter to BCUC to clarify some of the analysis and findings (joint EMPR and Fin) • Trip by MMM and MSF to speak with Treat 8 First Nations • Due diligence analysis of BCUC report in the context of impact on provincial debt and credit rating
Nov 9	Briefing of Green Party by EMPR, CASA officials	Site C 101 NOTE: Scheduled for 4:30 pm
Nov 14	Consultation with Treaty 8 First Nations in Fort St. John by MMM and MSF	Fulfils consultation commitment
Nov 16	MMM media avail following her meeting with First Nations	One-on-one interviews (Victoria) TBD
Nov xx	Officials (TBD) brief media on decision-making inputs	Technical background briefing
Nov xx	Briefing of caucus on technical/ financial review of BCUC report	Caucus briefing

Required Collateral materials

Key messages
Q&As

From: [Sanderson, Melissa EMPR:EX](#)
To: [Aaron, Sage PREM:EX](#)
Subject: Fwd: Rate Freeze - NR and QA support
Date: Tuesday, November 7, 2017 5:39:57 PM
Attachments: NR_Rate Freeze_Nov 7v2.docx
ATT00001.htm
QA-KMs_Rate Freeze_Nov7 DRAFT.docx
ATT00002.htm

This is still in draft but want to make sure you have early eyes on it.

Sent from my iPhone

Begin forwarded message:

From: "Haslam, David GCPE:EX" <David.Haslam@gov.bc.ca>
Date: November 7, 2017 at 4:41:33 PM PST
To: "Lloyd, Evan GCPE:EX" <Evan.Lloyd@gov.bc.ca>, "Gibbs, Robb GCPE:EX" <Robb.Gibbs@gov.bc.ca>, "Zadravec, Don GCPE:EX" <Don.Zadravec@gov.bc.ca>
Cc: "MacLaren, Les EMPR:EX" <Les.MacLaren@gov.bc.ca>, "Sauer, Darwin" <Darwin.Sauer@bchydro.com>, "Sanderson, Melissa EMPR:EX" <Melissa.Sanderson@gov.bc.ca>, "Beaupre, Darren GCPE:EX" <Darren.Beaupre@gov.bc.ca>
Subject: Rate Freeze - NR and QA support

Evan/Robb/Don – attached is a draft NR and QA on the BCH rate freeze. This still needs to be reviewed by Les, BCH and MMM – as such I've cc'd Les, Darwin and Melissa. The plan is to release tomorrow at 1130 am – following cabinet – and offer MMM for comment in a hallway scrum. I'll work with media relations to ensure media are gathered.

Page 05 to/à Page 06

Withheld pursuant to/removed as

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QUESTION AND ANSWERS
BC Hydro Rate Freeze
November 7, 2017

Ministry of Energy and Mines

- BC Hydro is freezing rates to make life more affordable for British Columbia families and businesses.
- For too long people have been working hard but just can't get ahead.
- BC Hydro rates have gone up more than 24% in the last four years alone and over 70% since 2001.
- B.C. families deserve a break from annual rate increases that are putting the squeeze on households who are already stretched thin.
- The rate freeze will give Government the time to undertake a comprehensive review of BC Hydro.
- That review will identify changes and cost savings to keep rates low while ensuring BC Hydro has the resources it needs to continue to provide clean, safe and reliable electricity.
- Details of the scope and process for the review will be developed once Government has made a final decision on the Site C project.
- After completing a comprehensive review of BC Hydro, any cost reductions and revenue increases identified will be reflected in rates starting in April 2019.

Questions and Answers

1. Does the provincial government want to freeze rates to make it easier to say no to the Site C project?

Our review of the Site C project is underway – that process was initiated to assist us in making the best decision for keeping BC Hydro rates affordable in the long term.

We are mindful of the fact that our decision on Site C will have an impact on ratepayers. In its final report of the Site C review the BCUC takes no position on whether termination or completion has the greatest cost to ratepayers. We are considering the BCUC's report and factors outside their review to make the right decision.

The rate freeze announced today is another commitment we made to make life more affordable for British Columbians, prior to a comprehensive review of BC Hydro. That review will identify changes and cost savings to keep rates low while ensuring BC Hydro has the resources it needs to continue to provide clean, safe and reliable electricity. Details of the scope and process for the review will be developed once Government has made a final decision on the Site C project.

We are going to take the time we need to make a decision on Site C that works for B.C. families, businesses and the sustainability of our environment and economy. It's a decision we take very seriously. We anticipate a decision about Site C by the end of the year.

2. How exactly will you implement the rate freeze?

BC Hydro will provide a letter to the BC Utilities Commission (BCUC) amending its Revenue Requirements Application (RRA) for 2016/17 - to 2018/19 that is currently before the BCUC to request approval of a 0% increase instead of the 3% increase scheduled to take effect April 1, 2018.

The BCUC will announce its decision on the current RRA, including the request for a 0% increase, in due course, likely before the end of the year.

After completing a comprehensive review of BC Hydro, any cost reductions and revenue increases identified will be reflected in rates starting the next year, effective April 2019.

Rates for April 2019 and beyond will be the subject of BC Hydro's next RRA to the BCUC.

BC Hydro's plan to freeze rates was developed in consultation with government, and fully respects the role of the BCUC as the province's independent regulator to review and approve rates.

3. What will the savings be for BC Hydro's residential, commercial and industrial customers?

BC Hydro estimates that eliminating the rate increase of 3% that was to have taken effect on April 1, 2018 will save:

- Residential customers an average of \$23 per year (\$2 per month)

- Small commercial customers like smaller offices and restaurants \$58 per year (\$5 per month)
- Medium commercial customers like public schools and hotels an average of \$519 per year (\$43 per month)
- Large commercial customers like hospitals and universities an average of \$2,076 per year (\$173 per month)
- Industrial customers between approximately \$133,000 and \$2.0 million per year (about \$11,100 to \$167,000 per month) for each single customer site.

4. What rationale will BC Hydro provide to the BCUC to justify its request for a 0% increase effective April 2018?

BC Hydro is expected to reference its mandate letter for 2017/18-2019/20 which includes a direction to work with the Ministry of Energy, Mines and Petroleum Resources to freeze rates as soon as practical to keep rates low and predictable and to conduct a comprehensive review to identify potential efficiencies that can benefit ratepayers.

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6. By lowering Hydro bills, aren't you just encouraging people to use more electricity instead of conserve?

According to BC Hydro, 75% of British Columbians have a favourable view of conservation and energy management. We don't think a rate freeze will change that. Conservation just makes sense – everyone recognizes the benefits of energy conservation not only to help lower electricity bills but to help lower our impact on the environment by reducing the need to develop new sources of generation.

BC Hydro's two-tiered rate structure remains in place and provides an incentive to conserve by charging a low rate for electricity up to a certain threshold in each billing period, and a higher rate for all electricity use beyond that threshold.

BC Hydro also continues to offer a range of excellent programs to help people reduce their electricity use. In fact, October was "Power Smart Month", BC Hydro's annual campaign to help customers learn more about making smart energy choices and taking action to lower their bills.

7. How much revenue will BC Hydro forego as a result of the freeze?

The rate freeze will mean BC Hydro will have to forego approximately \$150 million in planned revenues for fiscal 2019, and absorb the cumulative impact of that lost revenue in following years.

8. How will BC Hydro absorb that lost revenue?

BC Hydro will request approval from the BCUC to roll the \$150 million in foregone revenue for fiscal 2019 into its current rate smoothing regulatory account. This account spreads rate increases over longer periods of time to reduce rate shock for ratepayers while BC Hydro is investing heavily in required capital projects to maintain and expand its aging infrastructure system of dams, power stations and transmission lines.

The rate freeze will give BC Hydro and Government the time necessary to undertake a comprehensive review of BC Hydro. The review will identify savings and changes we can make to keep rates low and predictable in the future while ensuring BC Hydro has the revenue it needs to provide safe, reliable and affordable electricity to British Columbians.

We are confident that the BC Hydro review will identify savings that will help to address BC Hydro's revenue gap

9. What is the impact on the rate smoothing account?

BC Hydro projects it will need a total of \$450 million in additional revenue for fiscal 2019 to cover the difference between revenue received and costs incurred. \$150 million of that would have come from the 3% rate increase. Without the 3% increase the full \$450 million will be transferred to the rate smoothing account, instead of \$300 million which would have been transferred if the rate increase had gone ahead. .

The balance in the rate smoothing account at June 30, 2017 was \$548 million.

We are confident that the BC Hydro review will identify savings that will help to address BC Hydro's revenue gap

10. In opposition, your party was critical of BC Hydro's use of regulatory accounts. Why are you now ok with increasing the balance in those accounts?

The use of regulatory accounts is common amongst regulated utility industries throughout North America, and transfers to BC Hydro's regulated accounts are approved by the BCUC.

The rate smoothing regulatory account spreads rate increases over longer periods of time to reduce rate shock for ratepayers while BC Hydro is investing heavily in capital projects required to maintain and expand its aging system of dams, power stations and transmission lines.

That said we still have concerns about BC Hydro's use of regulatory accounts and the balance in the accounts. This is one of the issues we expect will be fully canvassed in the review of BC Hydro.

Until we can complete the review and explore ways to address the regulatory account balance and other issues at BC Hydro the rate smoothing account provides BC Hydro with a tool to freeze rates and make life more affordable for British Columbians while ensuring it has the financial resources it needs to operate, maintain and expand its facilities to continue to provide clean, safe and reliable electricity to the province.

We are confident that the review will identify savings that will help to address BC Hydro's revenue gap.

11. How much would rates have needed to go up to cover BC Hydro's \$450 million revenue gap for fiscal 2019?

Rates would need to go up by approximately 9% on April 1, 2018 to provide the revenue of \$450 million required by BC Hydro. The current rate plan caps the rate increase for April 2018 at 3%. BC Hydro is requesting a 0% increase for April 2018 to freeze rates for one year.

12. If BC Hydro is amending their RRA does this mean starting F2017-F2019 RRA all over again? It's drawing to a close after over a year of process and it has involved a huge amount of work already invested by the BCUC, BC Hydro and 11 interveners, and a decision was expected in early October.

No. BC Hydro will be amending their request for a rate increase for just one of the three years included in the RRA – fiscal 2019. All of the information that has been provided to the BCUC from BC Hydro and interveners, including information related to BC Hydro's demand-side management expenditure, transfers to the rate smoothing account, and other issues will be considered by the BCUC as part of their decision.

It's also worth noting that the BCUC has already released its decision on the portion of the RRA related to BC Hydro's load forecast. That decision was issued on August 25th – the BCUC accepted BC Hydro's load forecast for fiscal 2016/17 – 2018/19.

13. What do you say to interveners who are expecting a decision on the RRA?

We anticipate that the impact of the BC Hydro's amended application would be minimal, and that the BCUC would be in a position to release its decision on the RRA before the end of the year.

It's also worth noting that the BCUC has already released its decision on the portion of the RRA related to BC Hydro's load forecast. That decision was issued on August 25, 2017 – the BCUC accepted BC Hydro's load forecast for fiscal 2016/17 – 2018/19.

14. What happens to rates after the rate freeze is over, come April 1, 2019?

Rates for April 1, 2019 will be included in BC Hydro's next RRA which is expected to be filed in early 2019. By that time, we will have completed a comprehensive review of BC Hydro and identified savings and other changes that can be passed along to B.C families and businesses to keep rates low while ensuring BC Hydro has the revenues it needs to provide safe, clean, reliable electricity to British Columbians.

The BCUC will set rates for April 2019 and beyond.

15. When will this review take place and what will it include?

We will announce details of the review, including the scope and terms of reference after Government makes a final decision on the Site C project.

16. If you freeze rates for one year aren't you just going to have to bring in higher rate increases in subsequent years?

We're confident that through a comprehensive review of BC Hydro we will be able to identify changes and cost savings that will offset revenue lost to the rate freeze.

To the extent that the rate freeze is not offset by cost reductions or revenue increases, there are a number of options Government can explore to address a revenue gap.

For example, we could:

- Extend the time for paying down the rate smoothing account beyond the current 2024 that is prescribed in the current rates plan,
- Reduce BC Hydro's net income requirements, leaving BC Hydro more money for operations and reducing its dividend payable to the Province.
- Accelerate the phasing out of the dividend which is currently on track to be reduced to zero by fiscal 2020.

These are options that we will be examining with BC Hydro over the course of the review.

17. BC Hydro's debt is approaching \$20 billion and they've deferred about \$5.6 billion in regulatory accounts that will have to be collected from ratepayers sometime in the future. Won't the rate freeze just make BC Hydro's financial picture worse?

We're confident that through a comprehensive review of BC Hydro we will be able to identify changes and cost savings that will ultimately improve BC Hydro's financial picture.

To the extent that the rate freeze is not offset by cost reductions or revenue increases at BC Hydro, there are a number of options Government can explore to address a revenue gap.

For example, we could:

- Extend the time for paying down the rate smoothing account beyond the current 2024 that is prescribed in the current rates plan,
- Reduce BC Hydro's net income requirements, leaving BC Hydro more money for operations and reducing its dividend payable to the Province.
- Accelerate the phasing out of the dividend which is currently on track to be reduced to zero by fiscal 2020.

18. Are you also going to offer a reduced lifeline or low-income rate?

A lifeline or low-income rate will be outside and additional to the rate freeze.

We are currently consulting with BC Hydro regarding a lifeline rate in order to ensure everyday British Columbians aren't left out in the cold. The rate could mean that families who have demonstrated need would have access to a lower rate for their electricity.

In order to introduce a lifeline rate and have it approved by the BCUC we will likely need to amend the Utility Commission Act.

Over the coming weeks and months, we will have more to say about this, but our first commitment is to freeze hydro rates to make life more affordable for all British Columbians.

In the meantime, BC Hydro is developing a customer emergency fund pilot program that would provide support to residential customers who are unable to pay their electricity bills. BC Hydro also continues to provide energy efficiency programs to help low-income families conserve electricity and reduce their bills.

From: [Sanderson, Melissa EMPR:EX](#)
To: [Holmwood, Jen PREM:EX](#); [Aaron, Sage PREM:EX](#)
Subject: Rob Shaw - Rate Freeze (Attributable Quote)
Date: Friday, November 24, 2017 3:35:44 PM

Do you have any issues with the below quote (not sure I can even get it approved by MMM in time). If not, would be on background. I kind of want to keep just the first two quotes, and delete the third but want your opinion.

Reporter: Rob Shaw, Vancouver Sun

Deadline: 4 p.m. today.

Request: I'm going to do a column on the transcript from the BCUC rate review preliminary conference Thursday. It says that a decision won't be made until probably mid-late January, depending on the questions written to Hydro and so on.

I'm wondering what the minister thinks of this timeline? Does that not run right up to the provincial budget? Are there no budget implications for Hydro or government in not knowing if the rate hike will be allowed until that late? And what is the backup plan if the BCUC does not allow it - anything? Is government considering a cabinet order to require the BCUC to approve it, and spare two months of written back and forth on the issue?

Would prefer minister but if all there is a statement, I guess that will have to do.

Recommendation: Have GCPE provide a statement attributable to MMM by email.

Response:

"We respect the British Columbia Utilities Commission's role as the province's independent energy regulator, while following through on our commitment to freeze hydro rates and make life more affordable for British Columbians.

"BC Hydro has requested approval from the BCUC to change next year's rate increase from three per cent to zero per cent. The rate freeze will give government and BC Hydro the time necessary to undertake a comprehensive review of BC Hydro. That review will identify savings and changes we can make to keep rates low and predictable in the future while ensuring BC Hydro has the revenue it needs to provide safe, reliable and affordable electricity to British Columbians. We are confident that BC Hydro will identify savings and changes that will help to address BC Hydro's revenue gap.

"We are not predicting any changes to the fiscal plan if the BCUC approves the request. If the BCUC does not approve BC Hydro's request for a rate freeze, government and BC Hydro will look to other ways to effectively freeze BC Hydro rates effective April 1, 2018."