

KEY MESSAGES

- We recognize Site C has faced challenges and the costs to complete the project have increased.
- Completing the project is still the best option as it will help ensure BC Hydro customers continue to pay some of the lowest electricity rates in North America.
- Site C will allow BC Hydro to continue delivering the affordable, reliable and clean power we depend upon and will need to electrify our future economy.

SUPPORTING MESSAGES

- Cancelling the project would mean BC Hydro need to recover about \$10 billion from customers.
- The \$10 billion that would need to be recovered from customers includes covering the cost of what's already been spent and the cost of reclaiming the site.
- So, BC Hydro will have spent \$10 billion and have no dam or any asset.
- Cancelling would also mean higher rates for customers and BC Hydro's debt would increase significantly and need to be taken on by the Province.
- This could lead to tax increases and there would also be additional costs of securing new energy sources to replace the power Site C would have provided.
- BC Hydro is confident that it has found solutions to the challenge the project was facing with the geotechnical concerns on the project's right bank.
- While the project has had challenges, proceeding with it will help keep rates low, meet the province's future load growth, provide clean energy and position the economy to recover from the impacts of COVID-19.

QUESTIONS AND ANSWERS

I. Affordability/Rate impacts

1. What impact will the new budget have on rates?

- Completing Site C will help ensure that British Columbians continue to pay among the lowest electricity rates in North America.
- The costs to build Site C will be recovered over the life of the project, and as a result, bill impacts will be relatively modest.

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- Proceeding avoids additional costs that would come if we were to cancel like increased debt and, possibly, taxes.

2. Will there be any immediate impact on rates?

- There is no immediate impact on rates as the costs will only start to be recovered when the project is completed.
- The costs will be recovered from ratepayers over a long period, keeping rates low and ensuring those who are benefitting from the project are paying for it.
- Large hydroelectric projects like the Site C project are cost-effective because after an upfront capital cost, they have low operating costs and a long life (i.e., more than 100 years with maintenance and refurbishment).
- Cancelling now would require BC Hydro to recover over \$10 billion in costs immediately which would result in higher rates.

3. Once the project is paid off, won't ratepayers be on the hook for more than \$16s. billion when you factor in interest charges? What is the true cost?

- The direct costs of Site C are capitalized and recovered over the life of the project, which is standard accounting practice.
- In fact, the costs of all BC Hydro capital projects are recovered this way.
- The other costs of the project such as operating costs will vary over time and are recovered differently from amortization.

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II. Cost overruns/governance

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8. What is the new in-service date for the project?

- Before COVID-19, the project was on schedule to go into service in 2024.
- The downsizing of the workforce earlier this year to reduce the transmission of the virus has resulted in a one-year delay to the schedule.
- The new in-service date is now 2025.

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14. You say that the pandemic has resulted in additional costs. We aren't through the pandemic yet – how can you be sure there won't be further impacts?

- Prior to the onset of the COVID-19 pandemic, the project was on schedule to go into service in 2024.
- BC Hydro took immediate action back in March to reduce the workforce staying in our worker accommodation, focusing only on essential work and critical milestones like river diversion, which was achieved on schedule this fall.
- Like other organizations, it has learned to work differently through COVID-19.
- BC Hydro has imbedded those learnings into the rebase plan.
- We do not know if there will be additional COVID-related impacts, but BC Hydro is confident in the measures it has in place at site to manage the safety of its workforce.

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- The rationale to proceed is similar if not more compelling now than in 2017 when the Province made the decision to continue with the project.

16. How much has been spent to date on the Site C project to date?

- As of September 30, 2020, the project has total life-to-date costs and contract commitments of \$8.6 billion and is comprised of the following:
 - \$ 5.99 billion has been spent since the project began; and
 - \$ 2.6 billion of remaining commitments on executed contracts and agreements.

17. Wouldn't it be cheaper just to cancel this project now?

- Completing the project is still the best option as it will help ensure our customers continue to pay some of the lowest electricity rates in North America.
- BC Hydro considered a scenario where the project is terminated, and the site remediated to the required environmental standards.
- If the project was cancelled, BC Hydro would be required to immediately pay about \$10 billion to cover the costs spent to date as well as remediation costs.

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- In addition to higher rates, BC Hydro's debt would increase significantly and likely be added to the Province's overall debt obligations if the project was cancelled.
- This would result in higher interest costs and would then lead to government having to raise taxes.

18. What would it cost to stop the project now and return the area to its original state?

- If the project was cancelled, BC Hydro would be required to immediately pay about \$10 billion to cover the costs spent to date plus termination and remediation costs (\$6 billion already spent plus \$4 billion in termination and remediation).

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- These rate impacts do not include the cost of procuring energy and capacity that would be needed and the additional costs for securing energy from other sources.

19. Why not suspend the project and revisit in 10 or 15 years when the demand for the power is actually here?

- BC Hydro did consider a scenario where it suspended the construction of the project for 10 years and remediate the worksite to the required environmental standards.
- The cost estimate for this scenario is also about \$10 billion and does not include costs that would be incurred following the final decision in 10 years (i.e. costs to restart and complete the project, or costs to terminate the project at that time, depending on what is decided).
- Suspending the project would immediately result in higher rates and increased taxes, as well as uncertainty of the overall project cost if the decision is made to resume the project in 10 years.

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20. Why is continuing the project the best way to proceed?

- The original justification for beginning Site C is still relevant today.
- By completing the project, BC Hydro will continue to deliver the affordable, reliable and clean power British Columbians depend upon and we will need to electrify our economy and create jobs for the next 100 years.
- Completing Site C will help ensure that British Columbians continue to pay among the lowest electricity rates in North America.
- The costs to build the project will be recovered over the life of the project, and as a result, bill impacts will be smaller than cancelling the project and securing new sources of energy.
- In fact, the cumulative rate impacts for customers will be below inflation.
- We will also ensure we meet our commitment to reduce carbon emissions for future generations.
- As the climate crisis intensifies and society looks for solutions to reduce carbon emissions, clean and reliable energy is becoming increasingly important.

- Site C is well positioned to help B.C. businesses take advantage of the demand for clean energy and will position the economy to rebound from the economic downturn caused by COVID.
- Site C will be key to B.C. meeting its emission reduction targets through Clean BC.
- We are going to need the additional power from the project to fuel the increase electric vehicles and electrify B.C.'s upstream and oil and gas industry.

III. 2017 approval decision

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IV. Fixing the problem

23. How much is it going to cost for the foundation enhancements?

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24. What's the status of the foundation enhancements?

- BC Hydro continues to work with the independent Site C Technical Advisory Board to determine the appropriate enhancement measures.
- The safety criteria established by BC Hydro and the project designers for these measures are consistent with guidelines from the Canadian Dam Association and other international best practices.
- Investigations, design and development of these measures to address the right bank foundation are on-going.
- The design of these measures is progressing and construction trials are taking place this fall, along with detailed engineering work.

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25. What exactly is the problem?

- During construction of the structures on the right bank, the instrumentation data showed:
 - small movements occurring on a bedding plane below the bottom of the spillway and powerhouse RCC buttress during the excavations for the spillway buttress in 2018;
 - water percolating rapidly and deep into the rock beneath the RCC buttress excavation; and
 - a small amount of movement along bedding planes within the RCC buttress rock foundation, in response to rainfall events.

26. How sure is BC Hydro that it solve these issues with right bank foundation?

- BC Hydro is confident that it has found solutions to the geotechnical concerns on the project's right bank.
- The project has worked closely with its independent Technical Advisory Board, along with world-class external experts, to determine the best enhancement measures to ensure the project remains safe.
- The solutions are consistent with guidelines from the Canadian Dam Association and other international best practices.

27. When did you know the foundation challenges were this bad?

- We've carried out additional geological mapping and monitoring of the performance of the foundation excavations all through construction of the project.

- Confirming foundation conditions during excavations and construction for large hydro projects is an important aspect of engineering practice to ensure the service and safety requirements of the project are continually met.
- In May 2019, more analysis of the structures was undertaken to simulate reservoir impoundment.
- The results indicated that further stability analysis, data assessment of the geology, and study of the groundwater were needed.
- It wasn't until late December 2019 that investigations and analysis identified that foundation enhancements would be required to increase the stability in the areas.
- The results of these investigations and analysis were initially reported to the Project Assurance Board in early January 2020.
- By spring 2020, we had learned more about these challenges and only then did we know the costs were going to be higher than initially expected in January 2020.

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29. How was this issue missed?

- Safety has always been a key consideration in the project design of Site C.
- The project is designed to the highest recommendations of the Canadian Dam Association.

- The current project design had input and feedback from engineers who are globally recognized for their technical knowledge and experience with hydroelectric projects around the world.
- BC Hydro has conducted extensive engineering studies into the geology of the project area – including the dam site – for decades.
- The presence of the type of ground that exists at the dam site is well documented in the project's environmental impact statement (EIS).
- That's why it incorporated into the design the concrete buttress under the dam, generating station, spillways and ancillary structures for increased stability and seismic protection.
- As construction progressed and large areas of the foundation were excavated and exposed, the engineers uncovered new information about the conditions.

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V. Benefits for the future

31. How will British Columbians actually benefit from Site C?

- By completing the project, BC Hydro will continue to deliver the affordable, reliable and clean power British Columbians depend upon and we will need to electrify our economy and create jobs for the next 100 years.
- We will also ensure we meet our commitment to reduce carbon emissions for future generations.
- Site C is well positioned to help B.C. businesses take advantage of the demand for clean energy and will position the economy to rebound from the economic downturn caused by COVID-19.
- Most importantly, Site C will be key to B.C. meeting its emission reduction targets through Clean BC.

32. Do we still need the power from Site C?

- Yes, the province will still need the electricity from Site C in the future.
- By completing the project, BC Hydro will continue to deliver the affordable, reliable and clean power British Columbians depend upon and we will need to electrify our economy and create jobs for the next 100 years.
- We will also ensure we meet our commitment to reduce carbon emissions for future generations.

- As the climate crisis intensifies and society looks for solutions to reduce carbon emissions, clean and reliable energy is becoming increasingly important.
- British Columbians want their energy needs to be met with clean power.
- Companies are looking for ways to reduce their carbon footprint in order to meet consumer demand.
- Site C is well positioned to help B.C. businesses take advantage of the demand for clean energy and will position the economy to rebound from the economic downturn caused by COVID-19.
- Most importantly, Site C will be key to B.C. meeting its emission reduction targets through Clean BC.

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TREASURY BOARD STAFF BRIEFING NOTE

REQUEST NO.: #N/A – 20/21

TREASURY BOARD MEETING DATE: FEBRUARY 18, 2021

TITLE: SITE C PROJECT UPDATE

ISSUE SUMMARY:

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s.12 ; s.13 ; s.17

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s.12 ; s.13

RE: Briefing Outline

From: Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>
To: Wanamaker, Lori PREM:EX <Lori.Wanamaker@gov.bc.ca>, Mihlar, Fazil EMLI:EX <Fazil.Mihlar@gov.bc.ca>
Cc: Meggs, Geoff PREM:EX <Geoff.Meggs@gov.bc.ca>, Cuddy, Andrew EMLI:EX <Andrew.Cuddy@gov.bc.ca>, Aaron, Sage PREM:EX <Sage.Aaron@gov.bc.ca>, Howlett, Tim GCPE:EX <Tim.Howlett@gov.bc.ca>, Kristianson, Eric PREM:EX <Eric.Kristianson@gov.bc.ca>, MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>, Zadravec, Don GCPE:EX <Don.Zadravec@gov.bc.ca>
Sent: February 18, 2021 12:42:21 PM PST
Attachments: Briefing Outline.docx

Thanks for this.

Some thoughts.

Introduction and Revised budget:

s.12; s.13; s.17

My thoughts.

d

-----Original Message-----

From: Wanamaker, Lori PREM:EX

Sent: February 18, 2021 12:07 PM

To: Mihlar, Fazil EMLI:EX

Cc: Meggs, Geoff PREM:EX ; Cuddy, Andrew EMLI:EX ; Aaron, Sage PREM:EX ; Howlett, Tim GCPE:EX ; Foster, Doug

FIN:EX ; Kristianson, Eric PREM:EX ; MacLaren, Les EMLI:EX ; Zadravec, Don GCPE:EX
Subject: Re: Briefing Outline
s.12; s.13; s.17

Lori

Sent from my iPad

> On Feb 18, 2021, at 8:14 AM, Mihlar, Fazil EMLI:EX <Fazil.Mihlar@gov.bc.ca> wrote:

>

> Good Morning,

>

> Please find attached as discussed on yesterday's call. Appreciate your feedback today.

>

> Thanks,

>

> Fazil.

>

>

Draft Technical Briefing Outline

Introduction

- Decision summary

s.12; s.13

Historical context s.12; s.13

s.12; s.13

Government decision criteria

s.12; s.13

Geo-tech safety enhancements

s.12; s.13

Milburn Report recommendations and actions by government and BCH

- Milburn focused on improvements to governance and internal risk, construction and commercial management processes
- Many aspects of the Project going well
- Dedicated team expending exceptional effort with Project challenges

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- s.1 recommendations accepted by BCH and government

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Revised budget

- s.13; s.17 budget \$16B with a one-year delay in first power and full in-service
- Cost increase driven by geotechnical challenges, contractor claims, and COVID

s.12; s.13

Fiscal and rate impacts

s.12; s.13

Conclusion

s.12; s.13

RE: Briefing Outline

From: Cuddy, Andrew EMLI:EX <Andrew.Cuddy@gov.bc.ca>
To: Howlett, Tim GCPE:EX <Tim.Howlett@gov.bc.ca>, Foster, Doug FIN:EX <Doug.Foster@gov.bc.ca>, Wanamaker, Lori PREM:EX <Lori.Wanamaker@gov.bc.ca>, Mihlar, Fazil EMLI:EX <Fazil.Mihlar@gov.bc.ca>
Cc: Meggs, Geoff PREM:EX <Geoff.Meggs@gov.bc.ca>, Aaron, Sage PREM:EX <Sage.Aaron@gov.bc.ca>, Kristianson, Eric PREM:EX <Eric.Kristianson@gov.bc.ca>, MacLaren, Les EMLI:EX <Les.MacLaren@gov.bc.ca>, Zadravec, Don GCPE:EX <Don.Zadravec@gov.bc.ca>
Sent: February 18, 2021 8:54:10 PM PST
Hi all, my thoughts below...
s.12; s.13; s.17

From: Howlett, Tim GCPE:EX
Sent: February 18, 2021 5:23 PM
To: Foster, Doug FIN:EX ; Wanamaker, Lori PREM:EX ; Mihlar, Fazil EMLI:EX
Cc: Meggs, Geoff PREM:EX ; Cuddy, Andrew EMLI:EX ; Aaron, Sage PREM:EX ; Kristianson, Eric PREM:EX ; MacLaren, Les EMLI:EX ; Zadravec, Don GCPE:EX
Subject: RE: Briefing Outline
s.12; s.13; s.17

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

Sent: February 18, 2021 12:42 PM

To: Wanamaker, Lori PREM:EX <Lori.Wanamaker@gov.bc.ca>; Mihlar, Fazil EMLI:EX <Fazil.Mihlar@gov.bc.ca>

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NEWS RELEASE BACKGROUND

Impact of Site C on BC Hydro rates

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

Impacts of terminating the project

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

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

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

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

Impacts of continuing the project

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

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

Looking at the next 10 years, continuing with the project works out to a cumulative incremental rate impact of about three per cent higher than the current forecast, which is still below inflation over this period. This is equal to an extra \$36 per year for the average residential customer.

Contact:

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

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Ministry of
Energy, Mines and
Low Carbon Innovation



Site C Technical Briefing

March 5, 2021

Future of Site C

- Cabinet has made the decision to continue with Site C
- Independent experts have confirmed Site C is safe
- Peter Milburn has advised process improvements are needed to enhance Project oversight and risk and commercial management
- Current Project cost estimate is now \$16 billion, with a one-year delay to the in-service date
- Cost increases are largely the result of COVID-19, geotechnical issues, and other related cost and schedule pressures.



Continuing Site C Better for Ratepayers and Taxpayers

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



External Reviews Considered in Decision-making

Independent Consultant – Peter Milburn

- Reviewed Project governance and management of risks, construction, contracts and claims handling
- Recommendations will strengthen Project oversight, management and expertise
- Engineering Experts – John France and Dr. Kaare Hoeg
- Examined design of right bank foundation enhancements and earthfill dam
- Concluded that once completed, dam will be safe and reliable
- Will meet guidelines set by the Canadian Dam Association

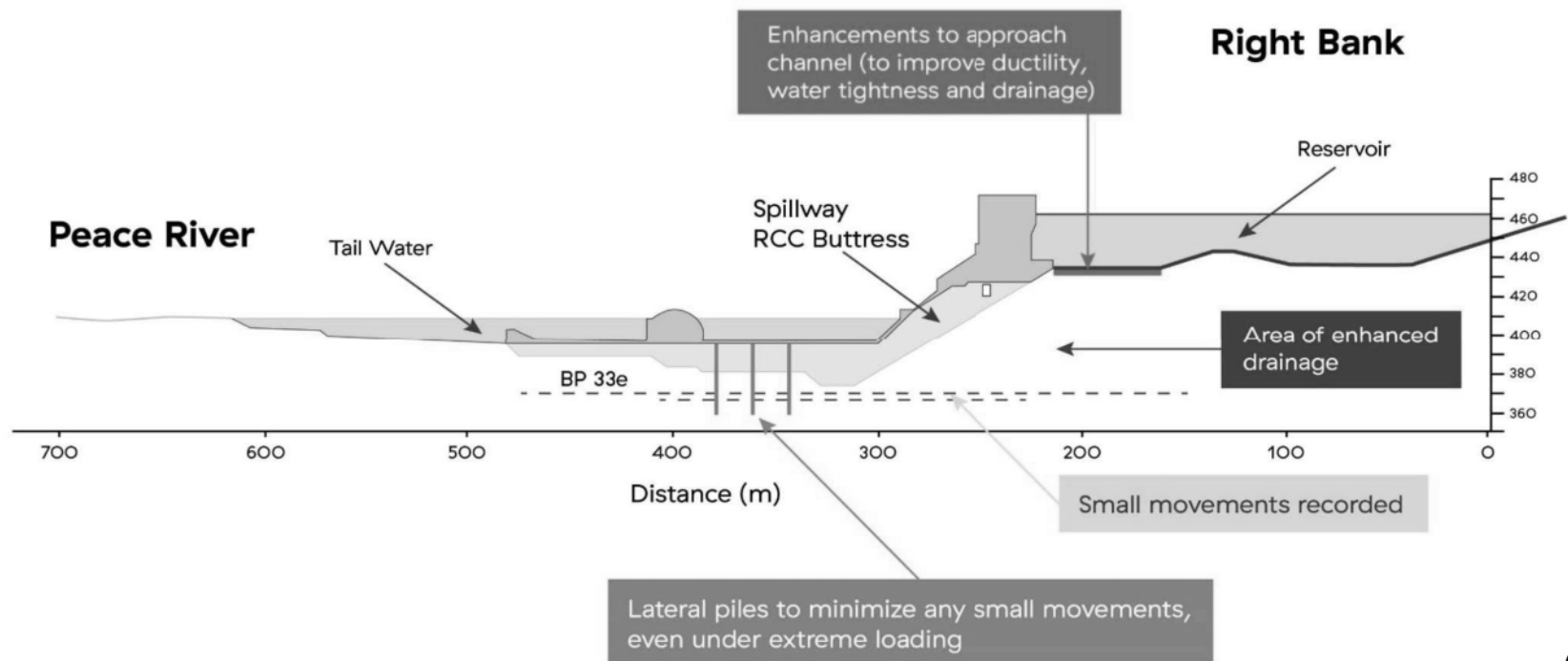


Safety and Reliability Confirmed Through Expert Review

- Solution to foundation issues includes piles to anchor the foundation, approach channel enhancements and additional drainage
- Foundation enhancements follow best engineering practices and have been reviewed by the Technical Advisory Board
- External dam experts provided a second opinion and all reviews concluded that the right bank foundation solution will result in a safe and reliable dam
- Instrumentation and monitoring throughout the life of Site C as a continued precaution will help ensure safety

Right Bank Foundation Enhancements (RFBE) -Solution

1. Install large piles (concrete-filled pipes) beneath buttress to improve stability and limit possible future movements, even under extreme loading conditions
2. Enhance drainage within the right bank and additional measures for the approach channel to improve water tightness and drainage





Additional Review of Earthfill Dam

- Technical Advisory Board and External Experts also reviewed the design of the main dam
- All reviews concluded that the main dam design is safe
- Enhancements, if required, would be low cost and non-intrusive (adding fill to the surface of the downstream portion of the dam)



Current Project Cost Estimate and Schedule

- Current Project cost estimate is \$16 billion with a one-year delay in full in-service date
 - Cost increases attributable to COVID-19, unforeseeable geotechnical challenges, and other Project cost and schedule pressures
- Reviews underway
 - Foundation enhancement design optimization
 - New contractor schedules to reflect COVID-19 delay impacts and implementation of foundation enhancements
 - Maintaining a safe work environment, including working with Northern Health Authority
 - Enhanced cost and schedule risk management, including critical timelines



Independent Consultant (Peter Milburn) Review

- Consultant focused on improvements to governance and Project risk, construction and commercial contract management and oversight processes
- Review was not an audit of costs or schedule
- 17 recommendations - all accepted by BC Hydro and government, including a restructured and strengthened Project Assurance Board
- Implementation underway with oversight by EY and Milburn
- Result will be stronger Project and commercial contract oversight and management going forward



Government Fiscal Impacts of Terminating Site C

- Immediate write down of about \$10 billion (sunk, contract termination, and recognition of site remediation liability costs)
- Hits bottom lines of both BC Hydro and Province
- Further debt implications could follow
 - Risk that rating agencies may remove BC Hydro's status as "self-supporting" with \$25 billion in BC Hydro debt becoming "taxpayer supported"
- BC's credit rating could be downgraded resulting in higher costs for all of the Province's borrowing



Who Bears Costs – Taxpayers or Ratepayers?

- If Site C terminated, taxpayers or ratepayers pay off the debt
- If BCUC approved ratepayers to pay, BC Hydro rates would increase today (e.g., by 26% for 10 years)
- If taxpayers take on the debt, reduces the Province's ability to fund COVID recovery and needed capital projects



Rate/Bill Impacts of Continuing Site C at a Higher Project Cost

- The costs of Site C will be recovered through rates over the life of the asset, more than 70 years
- Rate impacts will not occur until the assets go into service
- At the current cost estimate of \$16 billion:
 - By 2028/29 cumulative rates for the average residential ratepayer would be ~3% higher (\$36 per year) higher than the previous forecast based on a \$10.7 billion Project cost
- Forecast rates with this increase are still below the expected rate of inflation for the same period



Site C Benefits

- Major construction project that employs ~4,500 workers
- Provides employment, training and contracting opportunities for Indigenous Nations
- Low cost electricity keeps rates down, which supports electrification to meet GHG reduction targets
 - New forecasts indicate more electrification required
 - Industrial Electrification Rate
- Surplus sales leverage Site C's clean dispatchable power
- Provides energy and capacity – both of which are needed to safely and reliably meet BC's electricity demands for generations



Conclusion

- Difficult decision but the right one for ratepayers and taxpayers
- Independent External Experts confirm the project is safe
- Government and BC Hydro are making changes to improve Site C oversight, construction, contract and risk management
- Completing Site C at higher cost is preferable compared to the financial impacts of halting the project and pursuing alternatives

Site C Now Most Expensive Dam in Canadian History - Cancellation Cost is Trumped Up

From: s.22
To: don.bain@gov.bc.ca, Bain, Don PREM:EX
Sent: March 1, 2021 6:44:42 AM PST
Attachments: image001.png

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Site C Now Most Expensive Dam in Canadian History - Cancellation Cost is Trumped Up

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Key Questions

- **5) Is stopping the project feasible?**
 - Cost to terminate is ~\$10B with immediate write down – significantly impacting the Fiscal Plan which is already under pressure from COVID-19 priorities
 - If cost put entirely on ratepayers, would lead to immediate rate shock and put BC Hydro commercial rating status at risk.
 - Further analysis is being conducted for Treasury Board on alternative portfolio of energy resources and rate impacts
- **6) What additional measures are necessary?**
 - Milburn Report provides ^{s.13} recommendations to improve oversight and management of the Project
 - Improved governance, risk management, construction and claims strategy