

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% 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 3% 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.

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