

## Recent Statement of Attorney General David Eby

<http://davidebymla.ca/news/site-c-dam-a-personal-explanation-from-david-eby-about-the-financial-issues-driving-this-decision/>

Thank you for calling, visiting, and writing to me about the Site C dam.

As you know, for several years I have been a critic of the Site C dam project. The previous government's enthusiasm for this hydro project failed to recognize the massive and disruptive changes taking place in electricity generation and distribution, proposed consuming billions in public spending for power demand that is at best uncertain, pushed ahead over the objections of at least one First Nation in the area, and shrugged at the destruction of valuable farmland in the Peace.

Given that this megaproject was well underway in May, and that there was little transparency about what was going on at Site C, during the election we committed to send the Site C project for review to the BC Utilities Commission for advice on how to move forward given that the previous government had avoided any oversight to date.

The Utilities Commission reported back to us, and to the public, that in their opinion terminating Site C and implementing a portfolio of alternative generation technologies would have comparable public and ratepayer costs to continuing with the Site C project.

That was very hopeful news.

In response, our government took the Utilities Commission's information to experts in finance for analysis about what options were available.

Devastatingly, at this stage we received unambiguous advice that while the net cost of the termination and continuation scenarios may be similar, the accounting treatment of the two models was dramatically different. In particular, we were told that if we abandoned the Site C project, we would incur an immediate \$3-4bn public charge on either hydro ratepayers or BC taxpayers. [Emphasis Added]

In contrast, we were advised that if we continued the project, even if it went significantly over budget, the accounting treatment of the completed project as an "asset" would enable it to be repaid over 70 years by ratepayers with a significantly different impact on rates and public accounts.

There were two options we examined in a termination scenario: funding the termination charge through public accounts (taxpayers), or funding the termination charge through BC Hydro (ratepayers).

In either scenario, the real world implications of the financial advice we received were dramatic.

For the first option, public financing of the immediate \$3-4bn charge would mean \$125-150m in new annual debt service charges, effective immediately on termination. This charge would eliminate spending room for promised progress on childcare and many other government and public priorities.

Public financing of termination would similarly mean that billions in capital funding currently intended to be spent on hospitals, school seismic upgrading, and other critical public infrastructure like transit would be consumed entirely with no matching asset created. If we proceeded with our capital spending plans despite incurring this charge, our debt rating would change as well, bringing with it additional increased interest charges.

Leaving the \$4bn charge with Hydro so ratepayers could finance it, with no matching "asset" was no better. This approach would result in an acute risk that Hydro's debt would no longer be considered "commercial"

by bond raters and/or BC's Auditor General who has already cautioned about BC Hydro's books which already overburdened by debt.

If BC Hydro's debt was no longer deemed commercial by analysts, this would result in BC Hydro's entire debt being seen by bond raters and BC's auditor general as government debt. The financial impact of that more than \$10bn in debt moving on to public books overnight would be catastrophic for any hope of building the kind of province we need to build.

The decision to proceed with the Site C project taken by our government today is not a happy one.

The strategies of the previous government to avoid oversight and push the project "past the point of no return" with the hope, achieved, of visiting financial ruin on the books of any government that would seek to cancel it, are unforgivable.

Thank you for writing to me about this important issue. I brought your voice to Victoria to speak against the project, and in favour of terminating. However, the costs of termination were ultimately too high for a government committed to making life better and more affordable for British Columbians. I hope that, while you may not agree with the decision, you may now understand how it was reached.

Yours truly,

David Eby