

BOTTERELL LAW CORPORATION

BARRISTERS & SOLICITORS
2324 Brethour Avenue
SIDNEY, BC V8L 2A3



Delivered by Hand

December 14th, 2017

Auditor General Carol Bellringer, FCPA , FCA
Office of the Auditor General of British Columbia
623 Fort Street, Victoria, B.C.
V8W 1G1

Dear Auditor General Carol Bellringer,

Re: Present and Future Financial Impact on BC Ratepayers and Taxpayers of Completion vs. Cancellation of Site C

We are writing you on behalf of the Peace Valley Landowner Association and the Peace Valley Environment Association to request that you initiate an urgent examination pursuant to Section 13 or other applicable provision of the *Auditor General Act* to answer the following questions:

- a) Is the attached December 11th, 2017 memorandum prepared by McCullough Research correct ?
- b) Is it true that if the BC government abandoned the Site C project, British Columbia would have no alternative but to incur an immediate \$3-4 billion public charge on either BC Hydro ratepayers or BC taxpayers? Please refer to the attached statement of Attorney General David Eby.
- c) What is the likely minimum cash impact on present and future BC Hydro ratepayers and BC taxpayers of completing Site C vs. cancelling Site C?
- d) What mitigation measures are available through policy, legislation or regulation to minimize the cashflow impact of cancellation of Site C on BC Hydro ratepayers or BC taxpayers?
- e) What viable options does the British Columbia government have to ameliorate the accounting (as opposed to cashflow) treatment of Site C cancellation costs?
- f) Is the best practice to exclude or include sunk costs when deciding whether or not to complete a project such as Site C?
- g) Should accounting treatment be the decisive factor when considering whether or not to complete a project such as Site C?
- h) Other questions you deem relevant to determining whether or not the BC government is acting in an effective, economic and efficient manner with respect to Site C.

This requested examination is in the public interest because the now \$10.7 billion Site C project is the largest capital infrastructure project in the history of BC and there is a fundamental difference of opinion on the potential financial impacts of moving forward with Site C vs. cancelling Site C.

These questions fit well within the overall terms of reference for your Site C dam review which we understand was placed on temporary hold pending the outcome of the British Columbia Utilities Commission Site C Inquiry. The purpose of your review is summarized in the following way, "...explain to the legislature and the people of British Columbia the information and analysis provided to government, the progress and costs to date, and the potential impacts moving forward". In order to fully understand the potential financial impacts moving forward it is necessary to be able to compare those financial impacts to that of cancelling the project.

As an independent officer of the legislature, *all* British Columbians rely on your examinations and reports to be assured the British Columbia government is achieving its objectives effectively, economically and efficiently. At its core, the BC government is asserting that the only effective, economic, and efficient way to meet demand for electricity in the 2030's is to spend a further \$8.6 billion (assuming no further cost overruns) to complete Site C. And that effective government decision making requires that the accounting treatment of project costs is and should be the decisive factor.

Respectfully, we request that this matter be treated on an urgent basis. While this project is only 20 per cent complete, we understand that costs are incurred to the tune of \$60 million per month. Given the scope of the questions, the previous work completed by your office, and the inquiry recently completed by the British Columbia Utilities Commission, we are hopeful the interim results of your examination and responses to some, if not all, of the above questions will be publicly available in January 2018.

Thank you for considering our request. We look forward to your early response. Please contact me if you have any questions or require further information.

Sincerely

BOTTERELL LAW CORPORATION

A handwritten signature in black ink, appearing to read "R. H. Botterell", with a stylized flourish at the end.

ROBERT H. BOTTERELL

Cc: Morris Sydor, MBA, CPA, CA, Assistant Auditor General

Peace Valley Landowner Association and Peace Valley Environment Association

McCullough Research