



*Insight beyond the rating.*

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Press Release

## **DBRS Comments on the British Columbia Government's Decision to Complete Site C Construction**

Provinces and Municipalities  
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DBRS Limited (DBRS) notes the Province of British Columbia's (the Province; rated AA (high) with a Stable trend by DBRS) decision that it will complete construction on the Site C Clean Energy project (Site C or the Project), a 1,100 megawatt hydroelectric generating station. In its announcement, the Province noted that the budget for the Project has been revised to \$10 billion (excluding \$700 million of reserves) but will continue to target an in-service date of 2024.

In August 2017, the Province had referred Site C to a British Columbia Utilities Commission (BCUC) inquiry on: (1) if the Project was on target to be completed by 2024 and within the proposed budget of \$8.3 billion (excluding \$440 million of reserves); and (2) the implications of completing Site C, suspending the Project while maintaining an option to resume construction or terminating and remediating the site. The Province also asked BCUC if the Project was currently on time and on budget, what the costs to ratepayers would be of suspending or terminating the Project, and potential mechanisms to recover those costs, as well as what, if any, other portfolio of commercially feasible generating projects and demand-side management initiatives could provide similar benefits to ratepayers at similar or lower unit energy costs to the Project. The BCUC was not tasked with providing a recommendation on which option the Province should proceed with.

The BCUC released its final report in November 2017 and found that (1) suspending Site C was the riskiest and most costly scenario, (2) the Project was not on target for completion in 2024 and that (3) costs may exceed \$10 billion. However, in a number of areas the BCUC report was inconclusive in its findings.

The decision to continue with Site C does not have any impact on the Province's ratings, as debt associated with the Project is expected to be recovered through the rate base and will remain self-supporting within its crown agent, the British Columbia Hydro and Power Authority (BC Hydro; rated AA (high) with a Stable trend by DBRS), as assessed by DBRS. This is consistent with DBRS's expectations at the time of the October 2017 review, where DBRS anticipated that a cancellation of the Project was unlikely.

Similarly, this decision has no impact on BC Hydro's ratings as they are a flow-through of the ratings of the Province. DBRS views this development as positive for BC Hydro, as it removes some uncertainty on the status of Site C as well as the possibility of the non-recoverability of the \$2.1 billion construction cost to date and estimated remediation expenses of \$1.8 billion. However, DBRS notes that risks remain that could prevent the Project from remaining on schedule and on budget as revised. DBRS is encouraged by the increased Project oversight through a new Project Assurance Board and support from external consultants. DBRS will continue to monitor the Project for its impact on BC Hydro's financial



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outlook, but does not anticipate that the decision to proceed with Site C will have a material impact on the provincial credit profile in the medium to long term.

#### **Notes:**

All figures are in Canadian dollars unless otherwise noted.

The principal methodologies are Rating Canadian Provincial Governments (May 2017), Rating Canadian Provincial Agents of the Crown (May 2017), Rating Companies in the Regulated Electric, Natural Gas and Water Utilities Industry (September 2017), and DBRS Criteria: Guarantees and Other Forms of Support (February 2017), which can be found on [dbrs.com](http://dbrs.com) under Methodologies.

The rated entity or its related entities did participate in the rating process for this rating action. DBRS had access to the accounts and other relevant internal documents of the rated entity or its related entities in connection with this rating action.

For more information on this credit or on this industry, visit [www.dbrs.com](http://www.dbrs.com) or contact us at [info@dbrs.com](mailto:info@dbrs.com).

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