



August 30, 2017

Mr. David M. Morton Chair and CEO  
BC Utilities Commission  
Suite 410, 900 Howe Street Vancouver, BC  
V6Z 2N3

**Re: Submission to the BC Utilities Commission (BCUC) Site C Inquiry**

**Dear Mr. Morton and commission members:**

In its Site C inquiry, the B.C. Utilities Commission (BCUC) will likely be provided with, and rely on, documents and reports prepared by outside consultants retained by B.C. Hydro, as part of its 2014 independent review of the Site C project.

IntegrityBC would like the commission to consider whether there was sufficient rigor to those reviews and whether they were, in fact, an adequate substitute for a review by the BCUC.

We would contend that the inter-relationships – personal, professional and otherwise – of those who undertook many of those reviews should merit concern in regards to the overall quality and comprehensiveness of their work and the conclusions they reached.

In our opinion, some of those retained by B.C. Hydro fail the arms-length test that should have been sought by the government and the utility; some – and possibly all of those retained – were chosen through direct-award contracts without any request for competing proposals; and most were not provided sufficient scope to thoroughly perform their mandates.

Bluntly put: did B.C. Hydro seek out analysts to deliver the right answers or the answers the utility wanted to hear?

A few notable examples of concern.

In 2007, former B.C. MLA Jack Weisgerber was on the board of BC Hydro. The board directly awarded Weisgerber a Site C consultancy contract. Weisgerber described the awarding of the contract to the Alaska Highway News this way: "The initiative came from (then-Minister of Energy and Mines, now Senator) Richard Neufeld and the BC Hydro board."

When the consulting was finished, he was reappointed to the board.

Before her appointment as B.C. Hydro president and CEO, Jessica McDonald was – and may still be – a partner at Catana Advisory Services.

In an unrelated file, McDonald noted in a 2013 conflict of interest disclosure that: "We (including her "subcontractor" Danielle Van Huizen) both frequently have multiple clients at one time, involving different projects, and these clients may be among Aboriginal, government or private sector."

McDonald didn't identify who those clients were in the disclosure, but Catana lists a number of projects the firm has worked on for B.C. Hydro, including:

- Engaged to negotiate legacy agreements with municipal and regional district governments in northeast B.C. to offset the impacts of the construction and operation of the proposed Site C dam on the Peace River.
- Engaged to coordinate consultation with First Nations throughout the province regarding B.C. Hydro's updated plan for power demand and supply.

There's no reference to Catana in the announcement of McDonald's appointment as president and CEO of B.C. Hydro, nor in the biography used by the government's board resourcing service. The only reference we found was a single disclosure in a 32-page government contract.

Van Huizen later joined McDonald at B.C. Hydro.

According to B.C. Hydro, Broken Arrow, Oklahoma-resident Mark P. Gilbert – “an independent energy consultant with over 30 years of experience” – was hired to review the utility's “load forecast methodology.”

Gilbert is the president of Denouement Properties, a small real estate firm that buys, restores and sells distressed housing, where – in his own words – he does “everything from accounting and financing, construction, and customer interface.”

His consulting company – Mark P. Gilbert, LLC – was incorporated 36-days before B.C. Hydro's deadline for his report. The company is no longer in good standing with the State of Oklahoma, having failed to file its annual returns.

Gilbert is cited in the government's Dec. 18 news release stating that: “BC Hydro utilizes several methodologies to produce peak forecast methods, all of which are among state-of-the-art methods.”

But there were two important qualifiers to his findings that were not included in the government's release.

In regards to methodologies, Gilbert found: “The process will produce accurate forecasts about ten years out. However, the process of producing peak forecasts and sales forecasts are not linked as directly as they could be, and could impact the second ten years of the 20 year forecast.”

Left out-of-scope to Gilbert? Validating B.C. Hydro's numbers.

As he noted in his report, “While the information is believed to be accurate, in preparation of the report, Gilbert has not independently verified any of the underlying input numbers themselves. Accordingly, (he) makes no representation or warranty as to the accuracy, reliability, or completeness of the information.”

B.C. Hydro asked former Kiewit & Sons vice-president Frank Margitan “to engage a panel of industry experts, to undertake an independent review of the direct cost estimate, and provide an opinion regarding its completeness, sufficiency and accuracy.”

Like Weisgerber – and possibly Gilbert as well – Margitan's engagement may have been the result of a direct-award contract to a numbered Alberta company, to which he is associated.

For B.C. Hydro's review, Margitan assembled a panel that – in his words – “included experts with 35 to 50 years' experience in the construction of earthfill dams, RCC structures, hydraulic tunnelling, generating stations, spillways, and other heavy civil works.”

What was not highlighted in his report was the fact that two of the other three panel members had also worked at Kiewit. Together they shared a combined 80-years of experience at Kiewit. The fourth member also worked on Kiewit projects.

Margitan had been Kiewit's point man on the Sea to Sky Highway and Port Mann Highway1 projects.

B.C. Hydro turned to KPMG for a third-party review of the utility's estimates and Margitan's third-party review. The firm's two-page December letter is signed by Gary Webster, an engineer and partner at the accounting firm.

In his letter, Webster noted: "The expert panel of construction estimators that independently reviewed the major components of the estimate was again a level of diligence that increases the confidence of the estimate compared with other capital projects...The level of detail of this panel review was comprehensive and was performed by reviewing backup information and interviewing the estimating team."

Left out of his letter was the fact that Webster, as the province's representative, had effectively been Margitan's boss on the Sea to Sky highway and Port Mann projects.

When terms like 'independent external peer reviews' are bandied about, the public might be less skeptical if the peers were independent of each other, too. It smacks of the old boys network at play.

The fact that so many inter-associations, relations and financial interests between the various reviewers is left out raises concerns about B.C. Hydro's due diligence and leads to one fundamental question: were the government's reviews sufficient and of such a calibre as to justify an \$8.8 billion investment?

Sincerely,

**Dermod Travis**