Site C Submissions BCUC:EX

From: Ken Boon <[redacted]> on behalf of Ken Boon <pvla@xplornet.com>
Sent: Wednesday, September 27, 2017 6:01 AM
To: Commission Secretary BCUC:EX
Subject: Site C Expert Report: In First Year, Site C Will Lose $376 million Exporting Power to USA

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*This report has been prepared by McCullough Research for the **Peace Valley Landowner Association (PVLA)** and the **Peace Valley Environment Association (PVEA)**.*

Site C Expert Report: In First Year, Site C will lose $376 Million Exporting Power to USA

The PVLA and PVEA filed a report yesterday with the BCUC's Site C Inquiry from McCullough Research on export prices. In the report, energy expert Robert McCullough found that Site C will lose $376 million in its first year of operation alone. This is due to the fact that unneeded power will be sold at a loss to the USA. Losses in future years may be more or less depending on the demand for electricity.

“This new expert report only reinforces the already strong case for cancelling Site C,” said PVLA President Ken Boon. “Unlike big hydro dams, renewables

to sell unneeded power at a loss.”

Date: September 24, 2017

To: British Columbia Utilities Commission

From: Robert McCullough, Eric Shierman, Robby Gottesman

Subject: Question 22: Export Sales

The following is an excerpt from the report, starting on page 2:

22.1 Please provide a breakdown of BC Hydro’s market price forecast for F2025 (US $36/MWh) and F2034 (US $46/MWh) showing (in Can $ and US $): Mid C price; wheeling costs; real power losses; other (please describe).

We cannot answer questions concerning British Columbia’s market forecast since details have not been made public. We can observe that it is a relatively poor forecast since it diverges from actual market prices.

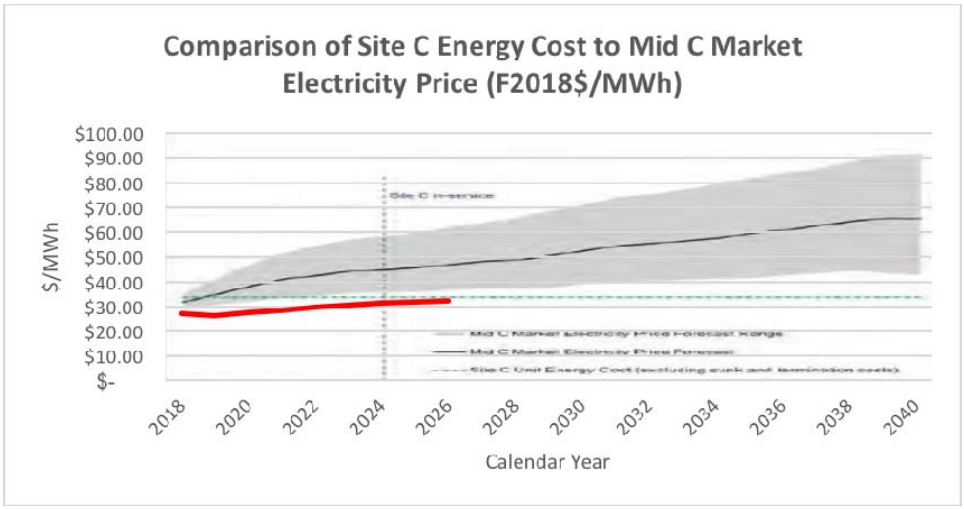

Figure 1: BCH's forecasted mid-c price and ICE forward price

The red line represents forward prices taken from the ICE MDC (on-peak) and OMC (off-peak) markets on September 22, 2017.

The differential between the LCOE of Site C and the forward Mid-C price is considerable. In 2024, for example, selling the output at September 22nd prices on the Intercontinental Exchange would lead to a significant loss: ($C31.25-C$105) x 5,100 GWh = - C$376.1 million[1]

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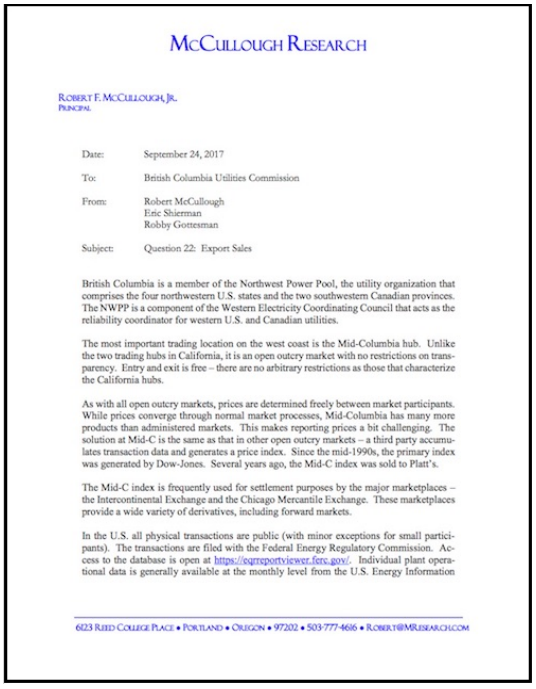
[1] McCullough Research. Costs of Continuing Site C and the Alternatives. August 30, 2017. Page 7.

Click the image below to download the unabridged report (10 pages):



McCULLOUGH RESEARCH

ROBERT F. McCULLOUGH, JR.
PRINCIPAL

Date: September 24, 2017

To: British Columbia Utilities Commission

From: Robert McCullough
Eric Shierman
Robby Gottesman

Subject: Question 22: Export Sales

British Columbia is a member of the Northwest Power Pool, the utility organization that comprises the four northwestern U.S. states and the two southwestern Canadian provinces. The NWPP is a component of the Western Electricity Coordinating Council that acts as the reliability coordinator for western U.S. and Canadian utilities.

The most important trading location on the west coast is the Mid-Columbia hub. Unlike the two trading hubs in California, it is an open outcry market with no restrictions on transparency. Entry and exit is free – there are no arbitrary restrictions as those that characterize the California hubs.

As with all open outcry markets, prices are determined freely between market participants. While prices converge through normal market processes, Mid-Columbia has many more products than administered markets. This makes reporting prices a bit challenging. The solution at Mid-C is the same as that in other open outcry markets – a third party accumulates transaction data and generates a price index. Since the mid-1990s, the primary index was generated by Dow-Jones. Several years ago, the Mid-C index was sold to Platt's.

The Mid-C index is frequently used for settlement purposes by the major marketplaces – the Intercontinental Exchange and the Chicago Mercantile Exchange. These marketplaces provide a wide variety of derivatives, including forward markets.

In the U.S. all physical transactions are public (with minor exceptions for small participants). The transactions are filed with the Federal Energy Regulatory Commission. Access to the database is open at https://eqrreportviewer.ferc.gov/. Individual plant operational data is generally available at the monthly level from the U.S. Energy Information

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Robert McCullough is Principal of McCullough Research in Portland, OR, and for over thirty-seven years has advised governments, utilities, and aboriginal groups on energy, metals, paper, and chemical issues. He has testified repeatedly in state, federal, and provincial courts as well as before Congress and regulatory bodies. His testimony in front of the Senate Energy Committee is credited with initiating the Enron trading investigations during which he worked for the U.S. Department of Justice and three western attorney generals. He has consulted for U.S. and Canadian clients on hydroelectric issues in many states and provinces, including on many occasions, presenting on issues before Canadian regulators.

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