

**Site C Review - Responses to questions raised by Deloitte
August 23, 2017**

CONFIDENTIAL

No.	
174	Date/Source of Question: Email from [REDACTED] to [REDACTED] on August 23, 2017 at 8:19pm
	Response provided by: [REDACTED]
	Functional Approver: [REDACTED]
	Question: Please provide us BC Hydro's assessment of how a suspension/ termination scenario impacts IDC costs.
	<p>Response:</p> <p>In a terminate scenario the costs to date would ordinarily be written off and would stop attracting IDC. The Terms of Reference (“TOR”) describe a suspend scenario with the <i>potential</i> for construction to resume by 2024 – since this scenario has too much uncertainty in terms of the time frame of suspension and in terms of whether or not resumption would ever occur, the costs to date would also ordinarily be written off and would stop attracting IDC.</p> <p>The TOR require the consideration of recovery from ratepayers. Accordingly, BC Hydro would propose that the costs to date not already in the Site C Regulatory Account be transferred there. We would also need to recognize amounts related to termination/suspension, and a PV of any remediation costs.</p> <p>Amounts in regulatory accounts that relate to expenditures already made (as many of these would be) typically attract interest at BC Hydro's weighted average cost of debt (which is equivalent to the IDC rate) since BC Hydro has to carry these costs.</p> <p>In the case of a termination scenario, interest would accumulate as applicable on the balance until it was recovered in rates.</p> <p>In the case of a suspension scenario where construction resumes, interest would accumulate until the project went into service, at which time the balance in the account would be amortized over the life of the assets.</p> <p>In the case of a suspension scenario followed by termination, the balance in the account would accumulate interest as applicable on the balance until it was recovered in rates.</p>