

SITE C CLEAN ENERGY PROJECT

SITE C PROJECT BUDGET

Site C is a large and complex project that has faced many risks and uncertainties. BC Hydro is committed to prudently managing the project to address these challenges.

In 2017, BC Hydro encountered some construction issues on the project. For example, a tension crack appeared on the north bank during slope excavation and stabilization activities. This posed a threat to meeting the timeline for river diversion in 2019. Following a meeting with the main civil works contractor in September 2017, BC Hydro determined that river diversion would be delayed to 2020.

Missing the 2019 river diversion timeline created new pressures on the project's budget and resulted in increases to direct and indirect construction costs, and adjustments to contingency and interest during construction. In addition, the estimate of the generating station and spillways civil works contract had increased.

Last fall, BC Hydro completed a detailed review of all project cost estimates, including information from recently completed procurements, assessing and quantifying the remaining risks and reassessing the required level of contingency necessary to manage those risks. Consequently, BC Hydro presented a revised budget of \$10.7 billion (including project reserve) to the Board of Directors in December 2017. The updated budget was approved in January 2018.

The budget for Site C includes all costs incurred to date, construction and development costs, inflation, interest during construction, mitigation costs, community benefits, First Nations accommodation and an \$858 million contingency. In addition, a \$708 million project reserve has been established by the provincial government to account for events outside of BC Hydro's control, such as higher than forecast inflation or interest rates. The contingency and the project reserve amount to more than \$1.5 billion dollars to address potential risks to project costs.

Increased oversight

With increased internal and external oversight of project performance, BC Hydro is confident that we will deliver the project on time and within the updated budget. Examples of the new measures include:

- Hiring an interface manager, developing an Interface Management Plan and implementing an interface register.
- Increasing the number of BC Hydro on-site representatives that oversee construction contracts.
- Establishing a Project Assurance Board to provide enhanced oversight to future contract procurement and management, project deliverables, environmental integrity and quality assurance.
- Retaining EY Canada to provide dedicated budget oversight, timeline evaluation and risk assessment analysis for the duration of the project.

BC Hydro will continue to provide quarterly reports on project costs to the B.C. Utilities Commission.

Site C Project Budget Breakdown

Project Budget Breakdown*	Final Investment Decision (2014)	Updated Budget Approved January 2018
	<i>\$millions, incl. inflation & contingency **</i>	
Dam, Power Facilities and Associated Structures	4,120	5,320
Earthfill Dam, Approach Channel and RCC Butress		
North (Left) Bank Stabilization		
Cofferdams, Dykes and Diversion Tunnels		
Access Roads		
Powerhouse		
Spillways, Intakes and Penstocks		
Turbines and Generators		
Substation and Transmission		
Offsite Works, Management and Services	1,575	1,868
Highway 29 Relocation		
Clearing, Land and Rights		
Worker Accommodation		
Construction management and Services		
Total Direct Construction Costs (nominal dollars)	5,695	7,188
Indirect Costs	1,235	1,484
Regulatory and Development (F2007-F2015)		
Mitigation, Compensation and Benefits Agreements		
Construction Insurance		
Project Management and Engineering		
Total Construction and Development Cost (nominal dollars)	6,930	8,672
Interest During Construction	1,405	1,320
Total Project Cost (nominal dollars)	8,335	9,992
Project Reserve***	440	708
Total Budget, Including Treasury Board Reserve	8,775	10,700

Notes:

* Categorization is as of October 2014; items may shift between categories depending on procurement packaging.

** Inflation is included in each of the categories. The contingency (\$795 million in 2014; \$858 million in 2018) has also been allocated within each of the categories.

*** Access to the Project Reserve must be authorized by the provincial Treasury Board.