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## How to ruin a public utility - Dermot Travis

One of the last things anyone would ever imagine the BC government doing is adopting an old NDP program, but that's exactly what Energy and Mines Minister Bill Bennett did this month when he announced a five-year, \$300 million electricity bill deferment plan for 13 BC mines owned by six companies.

Never mind that public utility BCHydro is grappling with its own deferral problems to the tune of \$5 billion.

Make no mistake, there's a price to pay when BCHydro becomes a political arm of government. The intersection of self-interests gets complicated, and the interests of taxpayers can take a backseat to political interests.

Three of the six companies in Bennett's deal were highlighted in a December *Financial Post* article, 'Debt risks mount as Canada's base metal miners sink deep in the hole.'

One could argue that the headline alone justifies Bennett's move, except there's no guarantee—other than a hope and a prayer—that BCHydro will be repaid.

The issue of what happens if metal prices don't rebound wasn't addressed in Bennett's news release.

Consider the 'dire financial position' of one of the companies: Colorado-based Thompson Creek Metals. Last year, Deutsche Bank analyst Jorge Beristain said the company is 'quickly approaching an end-game' with debts of \$832 million U.S.

According to the *Financial Post*, Teck Resources 'has more than US\$3.5 billion of debt coming due between 2017 and 2023 and lost its investment-grade credit rating last year.'

Taseko Mines, 'has more than \$260 million of senior notes coming due in 2019, while a US\$30 million secured loan matures this May.' It seems like only yesterday that the company sent Bennett off to lobby Ottawa on its behalf. In January 2014, Bennett spent a day on Parliament Hill meeting with Natural Resources minister Joe Oliver and Industry minister James Moore to make Taseko's case for its controversial New Prosperity copper and gold project. By then copper prices had already fallen 27.5% off their 2011 high. Taseko is also in the midst of a messy proxy fight with Chicago-based Raging River Capital over \$26 million in management fees Taseko has paid Hunter Dickinson Inc. Taseko and Hunter Dickinson share

three directors in common.

Imperial Metals owns three of the 13 mines in Bennett's deal, including Mount Polley, Red Chris and Huckleberry. In 2004, the government quietly forgave \$3 million in liabilities owed it by Huckleberry Mine. Imperial Metals's controlling shareholder—Murray Edwards—has a net worth of \$2.69 billion.

### Tit For Tat

The BCLiberal party has also done well by them. From 2005 to 2014, the six companies donated \$2.8 million to BCLiberals. Key executives kicked-in another \$380,000. (Three of the six companies donated \$97,010 to the NDP, \$75,300 of it in 2013.)

### Private Power Producers

BC Hydro's contractual obligations with private power producers have ballooned from \$22.25 billion in 2009 for '2010 and beyond' to \$56.2 billion for '2016 and beyond.'

### Donations Before And After

In a 2008 call for independent power projects, 75 proponents registered with BCHydro. Forty-three submitted proposals and, in 2010, BCHydro signed purchase agreements with 18 of the proponents.

From July 1, 2008 to September 30, 2010—when BCHydro was making its decisions—14 proponents donated \$268,461 to the BCLiberals. (One donated \$1,000 to the NDP.)

Ten of the 14 signed purchase agreements with BCHydro. One, who wasn't signed, never donated again.

Their before and after donations are interesting too. For the 10 successful proponents, their donations more than doubled from \$112,801 (January 2005 to June 2008) to \$229,471.

After the deals were done, they settled back again. Seven donated \$112,345 to the Liberals and five gave \$16,225 to the NDP (2010 to 2014).

In 2008, the Mining Association of BC received a \$295,188 grant from the Northern Development Initiative Trust (NDIT) to make the business case for the Northwest Transmission Line.

In turn, the association hired Australia-based Macquarie Bank to 'determine the threshold of economic activity that would be required to make the construction of the (line) an economically viable infrastructure project.'

NDIT's Highway 37 Power Line Coalition has 22 private

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sector partners. Excluding the six companies in Bennett's deferral program, independent power producers and those identified by BCHydro as 'potential future mines' for the transmission line, three trade associations and ten of the companies donated \$962,220 to the Liberals and \$10,320 to the NDP. Macquarie has donated \$17,050 to the Liberals.

The \$404 million transmission line overshot its budget by more than \$300 million, with a final price tag of \$716 million. But who counts bills among friends?

### **Connecting To The Transmission Line**

There are the nine 'potential future mines' that BCHydro hopes will one day connect to the line. With the downturn in metal prices, BCHydro shouldn't hold its breath in anticipation. The nine companies behind the potential mines have donated \$1 million to the BCLiberals and \$18,050 to the NDP (\$10,000 of it from Copper Fox in 2013).

And at the same time the government was imposing hydro rate increases on schools and hospitals. In 2014, Bennett announced a \$100 million BCHydro initiative for pulp and paper producers to 'support investments in more energy efficient equipment'.

Adding it all up: more than \$9.8 million in donations from interested parties to the Liberals and \$417,185 to the NDP, not including their 2015 donations. Tidy haul.

### **Guess Who Gets Saddled With The Bill?**

Including operating and capital development agreements that have tripled to \$3.3 billion since 2010, BCHydro's contractual obligations now stand at \$59.7 billion, not including their debt which has grown from \$6.8 billion in 2004 to \$16.7 billion last year. They've had to borrow \$3.2 billion just to turn around and give it to the BC government as so-called dividends.

### **Not The Same In Quebec**

Meanwhile, Hydro-Quebec cut a dividend cheque of \$2.5 billion for the Quebec government in 2014. They didn't have to borrow money to cover the cheque and still had \$700 million in profits left over.

In 2014, Hydro-Quebec's rates were nearly 2¢/kWh lower than BC. From 2007 to 2015, its cumulative rate increase was 17.1%. In BC it was 63.2%.

Total donations from all of Hydro-Quebec's suppliers and contractors to the Parti Quebecois and the Quebec Liberal party in the last 30-years? Zero.

Quebec bans corporate and union donations. The maximum any Quebec resident can give to a political party is \$100 annually.

*Dermod Travis is executive director of IntegrityBC, a watchdog NGO. ✉*