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Northwest Transmission Line powered up, critics and proponents wait to see if it lives up to its promise

**The province insists that, long-term, the \$736-
million is a catalyst for developing an entire
region**

By Derrick Penner, Vancouver Sun August 20, 2014



Transmission towers in mid-winter along the new Northwest Transmission Line in northwestern B.C.

Photograph by: Handout , Vancouver Sun

BC Hydro's \$736-million Northwest Transmission Line — much desired by B.C.'s mining industry, but controversial for going over budget and its lack of public review — has been turned on.

It wasn't like flipping a switch, but more of a gradual process that started in mid June as the utility began powering up, bringing to life a new high-voltage substation at Bob Quinn, 344 km north of Terrace, and tying in AltaGas' 195-megawatt run-of-river independent power project. By July 15, the line was fully electrified.

But only time will tell whether it is an enterprising bid to unlock some \$18-billion worth of investment in new mines along the corridor or a costly experiment in promoting economic development.

Alberta-headquartered AltaGas is the line's first official customer. The independent power producer is commissioning its \$700-million Forrest Kerr project, some 40 kilometres west of Bob Quinn, to sell electricity to BC Hydro's grid on a 60-year contract. Imperial Metals Inc. is due to complete a 90-kilometre extension line to the small Tahltan community of Iskut this fall, allowing it to use the Northwest Transmission Line to power its \$500-million Red Chris copper/gold mine.

However, while the line snakes along the Highway 37 corridor into a region dotted with advanced mineral exploration projects, it is starting up in the middle of a global mining downturn.

Energy and Mines Minister Bill Bennett maintains his bullish view that the push to build the line was a "visionary decision of this government," even as its budget ballooned from an initial \$404 million to \$561 million, to a final cost close to \$736 million.

"I know it's over budget, and you're obviously never happy about that," Bennett said.

But he's said he's confident the cost was competitive with other transmission-line construction.

"You've got the Red Chris mine starting up, and you wouldn't have had that (without the transmission line)," he said. "And you have got Forrest Kerr, the largest run-of-river project in the province and an engineering marvel. That wouldn't have happened."

Seabridge Gold Corp.'s proposal for developing its massive KSM copper-gold project is one of those potential mines. The province recently granted the project environmental approval and it is in the late stages of its federal environmental review. However, it needs to find a partner willing to finance its \$5.3-billion cost.

NovaGold Resources Inc.'s Galore Creek deposit is another promising project, and was expected to be the Northwest Transmission Line first customer. However, Galore Creek was suspended when partner Teck Resources Ltd. balked at its \$5-billion cost estimate, and it remains on the shelf.

"It has been more difficult to raise money (for building mines) and more difficult getting projects through," said Karina Brino, CEO of the Mining Association of B.C. "But the power line, what it's doing is it gives investors more certainty."

If B.C. projects have access to it, she added, it makes them more attractive. And Brino said there are close to 30 mineral deposits in the northwest that are being explored or developed, with up to 10 at some stage of development.

"Long term, it is strategic," said Glen Wonders, vice-president of technical and government affairs with the Association for Mineral Exploration B.C. "It's like many of the heritage power projects in the province. At the time (they were built), the need wasn't seen but over time, we've been very fortunate as a province that they exist."

The federal government put up \$130 million of the Northwest Transmission Line's cost and AltaGas put up \$180 million. BC Hydro has also had a rate structure for the line approved by the B.C. Utilities Commission that will see future customers, likely large mines, offset more of the capital cost.

In the meantime, it is existing BC Hydro customers who will be paying to subsidize amortization of the line's capital cost.

Greg Reimer, BC Hydro's executive vice-president for transmission and distribution, said he expects the final tally of costs will be "well under the revised estimate" of \$736 million.

In an interview, he said the construction project, Hydro's first major transmission line in a couple of decades, faced unforeseen challenges once contractors began cutting its right of way across the remote, rugged northwest landscape.

Crews had to spend more upgrading and building roads to the right of way than expected, and more blasting than expected to clear sites needed for the line.

Reimer added that extending the line to Iskut puts the small community on the grid and off the diesel generators that it relied, which is a "considerable financial, and greenhouse-gas savings."

BC Hydro's slogan for the Northwest Transmission Line is that it is "344 kilometres of economic development."

"The important point is that the (Northwest Transmission Line) will likely last in excess of 50 years," Reimer said. "In that period of time there will be significant exploration and development of mines in the area."

The cost, and the fact that former premier Gordon Campbell's government exempted the line from public review by the B.C. Utilities Commission, are still sticking points for its critics.

"It's a project that's going to come in at \$736 million with no oversight," said Gwenne Farrell, vice-president of the Canadian Office and Professional Employees Union Local 378, which represents BC Hydro Workers.

NDP energy critic Adrian Dix said the cost overrun, which government didn't reveal until after the 2013 election, falls into the range of the Vancouver Convention Centre, which came in at \$885 million compared with its initial estimate of \$565 million.

Energy lawyer Jim Quail, who has worked for Local 378, said a bigger issue might be the cost to power the line.

According to Quail, if BC Hydro needs to acquire sources of electricity to serve new mines, that power will be more expensive than the electricity it generates from its heritage hydro dams, and won't be recovered by the utility's industrial power rates. That ongoing cost would have to be subsidized by all power users.

"If that's a desirable policy, that's fine," Quail said. "As long as you know that's what you're paying for."

Bennett, however, said while ratepayers may be subsidizing the project, the whole province benefits from the economic development it has the potential to support.

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