

February 5, 2015

Auditor General of BC

P.O. Box 9036 Stn Prov Govt
Victoria, BC
V8W 9A2

Attention: Carol Bellringer
Auditor General

Dear Ms Bellringer

Re: BC Hydro

As a long time BC resident and tax payer, I have many times thought of writing to you concerning BC Hydro (Hydro) and their somewhat questionable decision making process. Recent events have finally spurred this typical "apathetic" tax payer into action.

When Hydro announced the Smart Meter Program (SMP) in 2010 (?), the capital cost was stated as approximately \$1 billion with a 20 year return, once the capital was paid off, of \$500,000. The return on investment was contingent if the projected energy savings, operating efficiencies and reduction in electrical theft were realized. Past experience has shown, Hydro underestimates the capital and over estimates the return. So at the time of the SMP announcement this was the "best case" scenario. This was not a very attractive proposition. It is the same as asking your friends, to loan you \$10,000 today for the promise of \$15,000, 20 years from now, if "everything goes right". Only a fool would take up the offer.

The financial return then gets very bleak when you note Hydro originally stated the meter life was 20 years and then under pressure, subsequently reduced the meter life to 12 years. Industry, however puts the meter life somewhere between 4 and 8 years.

I have been reviewing the Hydro financial statements looking for the reported SMP costs to date. The Hydro 2014 Annual Report states the SMP Life to Date (LTD) cost of \$677 million. However, the "Audited Financial Statements for the same period stated the SMP operating cost, amortized capital assets and financial charges have been "deferred" and therefore not reported.

From the recent press releases, the costs are deferred so as to inflate the dividend to the BC Government. The fact Hydro has to borrow money each year (billions in total) to pay the

dividend, means any major Hydro projects must be funded from borrowed money. It was also announced, the Provincial Government will require 4 years to be “weaned” off its addictive dependency on this non sustainable Hydro dividend.

The recent scathing Auditor General’s report on Ontario Hydro’s SMP states there has been no financial return on the program through energy conservation. Please note Ontario based their projected savings on time of use billing which to date Hydro has denied is behind the SMP. It is also interesting to note, Hydro projects 80% of the SMP savings will come from Operating Efficiencies, with only 20% coming from energy savings.

The decision making process in the SMP, also appears questionable. Our tax payers’ watch dog, the BC Utilities Commission (BCUC) was excluded by the Clean Energy Act from undertaking a review of the SMP. Why were wireless 2 –way meters chosen over other technology such as fiber optic or utilizing the existing hard wired grid, as did Fortis in Alberta? I can find no information to indicate a small scale test program was undertaken, as did Fortis Alberta, before the final meter type was selected.

The wireless smart meters have some inherent problems which have been known for sometime but suppressed by industry Gurus. One is the risk of fire. The number of reports relating to Smart Meter fires continues to grow on a worldwide basis. The excuse that the fire started with the home owner’s meter base or their out dated wiring and not the smart meter, appears to be a global industry wide standard excuse. This excuse defies basic logic when considering the only variable which changed was the new Smart Meter. There has been no CSA meter safety testing to determine its suitability for our environment. The only testing appears to have been done by Measurement Canada on the meter’s accuracy for measuring electrical usage.

A second problem is security. The wireless system can be and will be “hacked”. Computer hacking escalates each year into more sophisticated secure systems. The Federal government just announced a \$100 million project to reprogram the Revenue Canada computer system which was hacked last year. The choice for a wireless system exposes every Hydro user to a security risk of having their power turned off and theft of their personal information.

The third problem is the Electro Magnetic (EM) radiation health risk. The low level EM radiation health risk has been known for over 30 years. The number of recent independent studies, including the World Health Organization, stating EM radiation is a health risk, grows exponentially each year.

The fourth problem is the ongoing upgrades and maintenance costs. The terrain in our province makes it difficult to initiate a wide spread wireless system without a large number of intermediary repeater stations. It does not appear the full extent of the additional repeaters was realized when the SMP was rolled out and these have been added to the program in a

desperate attempt to get a fully functioning system. In addition, reports on wireless systems in other countries are now indicating the ongoing system/software upgrades and short meter life makes the SMP a “bottomless money pit”. The financial winners are the equipment suppliers and the software companies. The losers are the tax payers.

Hydro has now announced it will proceed with the controversial Site C Hydro Project for an estimated cost of \$8.9 Billion (\$1 Billion more than reported last year). Once again, when you check the audited financial statements, costs to date for Site C have been deferred and therefore not reported.

As stated above, Hydro is borrowing to finance their dividends and must borrow to finance this project. Once again the BCUC has been excluded from undertaking an independent review on the efficacy of this decision. I don’t know of any private industry companies who decide on a billion dollar project without undertaking a “cold eyes” review, especially if you need to borrow funds.

Last year the Province paper ran an article which basically stated we do not have a long power shortage requiring the Site C to be constructed. It is also interesting to note one of Hydro’s long term” non tangible” benefits of the SMP is to reduce the requirement to construct new hydro dams.

In an effort to understand who is making the decisions within Hydro, I looked up the Board of Directors. It is interesting to note the number of people “paid” as directors, as noted in the audited financial statements “exceeds” the number of directors listed on the Hydro web site. Some but not all of the “extra” directors have resigned. I’ll leave that for you to sort out.

In closing, the only defence Ontario Hydro offered for their poor performance with their SMP was to promise “to undertake a more thorough due diligence” before approving billion dollar projects.

Please take a thorough audit of Hydro, from this tax payer’s perspective, it is a crown corporation gone rogue.

Yours truly,

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