



## The Corporation of the Village of Slocan

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**DATE: November 17, 2021**

**SUBJECT: SPRINGER CREEK MICRO-HYDRO PROJECT**

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The Village of Slocan has been working diligently over the past decade and a half, to develop an 800kW run-of-river hydro project on Springer Creek. The original intent of the project was to lessen the Village's reliance on a single industry, the sawmill, as its primary revenue source, and to allow the Village to become increasingly self-reliant.

The development of Springer Creek Micro-Hydro was regarded as a much-needed project that would support the Village's transition from a single industry town. It would play a significant role in the Village's Integrated Sustainability and Transition plan, supporting the development of a green energy economy, providing employment, energy resilience, and sustainability. Revenues generated would assist with funding and maintaining operations and would position Council to partner and support the implementation of community initiatives, revitalization, and growth. It was estimated that the project would produce a GHG net offset of approximately 24t CO<sup>2</sup> per year. The project would be viable and reliable, providing year-round energy. In addition, the project would become a model for small, community-based renewable energy projects in the region.

The Village completed significant predevelopment work and received approval on all steps below:

- Completed all First Nations consultations
- Completed Fisheries, Aquatic, Wildlife, Vegetation, Hydrology, and Archaeological Assessments
- Completed project feasibility study
- Obtained permit for Springer Creek water licence
- Obtained Licence of Occupation for road access
- Obtained Licence of Occupation for general area
- Obtained approval from the Province for the Development Plan
- Obtained preliminary approval from FortisBC for Power Interconnection Agreement
- Obtained permit from Ministry of Transportation & Infrastructure for road access and highway penstock crossing

The project would cost an estimated \$3,600,000 to complete, which included construction of the intake and penstock, access road, powerhouse, turbine, substation, and power line interconnection.

In 2017, the Village successfully received grant funding through the *New Building Canada Fund*. The Village was awarded \$2.4 million dollars from the Provincial and Federal Government, representing two-thirds of the proposed budget; the remaining third to be produced by the

Village through a loan provided by the Municipal Finance Authority. With the announcement of funding, the Village could continue its efforts to negotiate an agreement for the purchase of power.

In 2017, with all permitting in place, the Village submitted an application to [BC Hydro's Standing Offer Program \(SOP\)](#). The program had been in place for many years and supported and encouraged the development of small clean or renewable electricity projects in BC and paid out a pre-determined power purchase rate through an Electricity Purchase Agreement (EPA). Rates paid out through the SOP were determined to be greater than those offered by other power purchasers in the region and made the Springer Creek Micro-Hydro project feasible. The application was marked as complete and in the queue to be processed for an EPA.

A successful application to the Standing Offer Program was favourable for the Village. Based on historic SOP rates, it was determined that the project's annual gross revenues were projected to be approximately \$294,000, less any expenses for debt servicing and operations. This meant that net annual revenues for the Village were estimated to be approximately \$170,000. This would replace the industrial tax revenues that were lost with the closure of Springer Creek Forest Products.

The Springer Creek Hydro Project has been on hold since the fall of 2017, when the Province began a review of BC Hydro and the Standing Offer Program. The Village was advised that all applications in the queue, including the Village's, would remain on hold until the review was complete. Unfortunately, the review resulted in the indefinite [termination of the Standing Offer Program](#), and a decision that BC Hydro would no longer be signing any new power purchase agreements.

Mayor and Council met with Ministers at the annual UBCM Convention annually, petitioning against the cancellation of the SOP, and to advocate for the Springer Creek Micro-Hydro Project, with no success.

Staff worked diligently with the Build Canada Grant administrators to find a solution. The task proved challenging as the original intent of the project was now lost, and the Village would have to discover a way to proceed with the project, while maintaining the original scope. This meant finding an alternate solution for selling the power, while meeting the project deadline of March 31, 2020.

As time passed, the Village requested an extension on the grant funds to March 31, 2022. The Village continued to explore other avenues for a power purchase agreement including options to partner with other power utilities in the area, and a preliminary investigation into becoming its own utility. A third party consultant presented options to Council, such as the production of hydrogen and ammonia using the surplus energy, supplying energy to a target property or facility, and even the supply of energy to computer operations, such as a data center or cryptocurrency exchange. Ultimately, the options presented would require significant feasibility analysis, were speculative, and would place the Village in a position of significant financial risk.

At a special meeting of Council held on October 25<sup>th</sup>, 2021, Council unanimously came to a determination to withdraw from the New Building Canada Program, and to take no further action on the Springer Creek Micro Hydro Project. This decision was not made lightly, but proceeding with the project carried significant financial risk without clear and quantifiable benefits to the

Village. In addition, the time and effort required to move forward with any of the potential project options would impact the ability for the Village to focus on other priority items, such as the mill site redevelopment, Harold Street design implementation, addressing infrastructure demands such as source water and water distribution design and development, and planning for sustainable growth and operations.

The Village will continue to advocate for programs such as the Standing Offer Program, to assist small communities who strive to reach their climate action goals and net zero strategies. Council would also like to thank the New Building Canada Fund for the funding opportunity, and express appreciation to all who assisted the Village with this project to date.

Jessica Lunn, Mayor  
Village of Slocan