

Shocking business plan

Taltson expansion too risky

The Deze Energy Corporation needs a lesson in economics.

The conglomerate of aboriginal owned businesses in partnership with the NWT Power Corp., is ploughing full steam ahead on a \$500 million proposal to expand power generation at the Taltson hydro station.

On the surface, more hydro power sounds good. However, instead of lowering diesel power costs in NWT communities and reducing greenhouse gases, the project is a money making venture that might not make a dime.

The plan is to use investor and bank-financed funds to pay for 690 kilometres of transmission lines stretching to the diamond mines from south of Great Slave Lake. Recovery of the funds hinges on the diamond mines buying the power.

The Deze Corporation says it has letters of intent from the mines committing to just that. But, the commitment is not without its qualifiers. First, both De Beers and Diavik have stated they already provide for their power needs using diesel generators. For either mine to switch to hydro power, the supply would have to prove more reliable and cost less than diesel.

It's too bad that Deze Corporation doesn't have the same busi-

ness sense. Its business plan relies on the price of two highly unstable commodities - oil and diamonds.

Oil prices fluctuate constantly and the diamond market, as we have seen over the years, is finicky. Low prices for either will effectively sink this project. Not to mention the power is being marketed to a customer that will eventually pack up and leave. Then what? We will have hydro lines to nowhere.

Deze Corp. executives say when that time comes, more mines will have started up due to the availability of cheap power. Maybe, maybe not.

We have a hard time believing a bank or an investor would risk so much money on such a shaky project. At least, that is, without a hefty guarantee from, say, the GNWT. This story is now sounding eerily like the Deh Cho bridge project. But at least with the \$165 million bridge, customers in Yellowknife and the Tlicho are a well established, long-term market.

The only guaranteed benefactors of the hydro expansion are the mines. The NWT Power Corporation will have no choice but to sell the power to the diamond mines who will then have considerable control over the price.

If it's too high the mines won't buy and GNWT is on the hook for half a billion dollars (and counting!). What if the diamond mines demand a lower price? The Power Corp. will have no choice but to undervalue its product or say no and own 690 kilometres worth of useless wire with its partners who have no money. Either way, the GNWT and NWT residents and businesses are on the hook for hundreds of millions of dollars.

The Deze Corporation seems transfixed on a prize that might never materialize. It has already spent millions on the plan, but it refuses to say exactly how much, again like the Deh Cho Bridge Corp. That spending on a questionable route has proceeded despite opposition from Lutsel K'e First Nation, which since 2005 has said it will not allow transmission lines to cross lands it considers sacred. Other possible routes would increase the cost of the project by at least tens of millions and since 2005 the estimated cost has already ballooned by \$200 million, to \$500 million from \$300 million.

The only way this project should move ahead is if it directly benefits the people of the NWT. That means cheaper power to NWT communities.

As it stands, the real risk is too great to justify the potential reward.

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Proposal doesn't make sense

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