

## FORTIS INC. AND THE CHALILLO DAM

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*Professor Robert Sexty wrote this case solely to provide material for class discussion. The author does not intend to illustrate either effective or ineffective handling of a managerial situation. The author may have disguised certain names and other identifying information to protect confidentiality.*

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The executive offices of Fortis Inc. overlooked the harbour in St. John's, Canada. Ships could be seen entering and exiting through the Narrows, the outlet to the North Atlantic Ocean. It had snowed and the trees on the Southside Hills were covered with a light dusting of white. H. Stanley Marshall, President and CEO, and John Evans, chief engineer, turned away from the view and began discussing the main issue the board of directors would confront at its next meeting in January 2002.

Marshall and Evans were planning a presentation on the company's Chalillo Dam project in Belize. They believed the project should proceed, but they had to convince the board of directors. The task was to make a recommendation including supporting arguments with a defence to counter the attacks being made on the project by international environmental non-governmental organizations (ENGOS). Fortis had to prepare for the negative publicity that would most likely occur if the project was approved. If the company was unable to make a convincing argument, it was unlikely the project would proceed.

### FORTIS CORPORATION

Fortis Inc. was a diversified electric utility holding company headquartered in St. John's, Newfoundland, Canada. *Fortis* is a Latin word meaning strong, powerful, and firm. The Fortis international banking and insurance financial firm headquartered in The Netherlands and Belgium was not associated with Fortis Inc.

In 2001, Fortis wholly owned Newfoundland Power Inc., the principal distributor of power in the province of Newfoundland, and Maritime Electric Company, Limited, the main distributor in Prince Edward Island. Other financial interests included:

- FortisUS Energy Corporation, which operated four hydroelectric generating stations in upper New York state.
- Fifty per cent of Canadian Niagara Power Company, which sold energy to Canadian and U.S. customers.
- Twenty per cent of Caribbean Utilities Company Ltd., the sole supplier of electricity on Grand Cayman, Cayman Islands.

- Sixty-seven per cent of Belize Electricity Limited (BEL), the only distributor of electricity in Belize, Central America.
- One hundred per cent of Belize Electric Company Limited (BECOL), which owned a hydroelectric plant on the Macal River in Mollejon, Belize.
- A non-utility subsidiary, Fortis Properties, with investments in commercial properties in Atlantic Canada.<sup>1</sup>

Exhibit 1 is a summary of Fortis' financial performance for the years 1997 through 2001.

### FORTIS' BELIZE OPERATIONS

The Fortis operations in Belize embroiled the company in a social responsibility issue that consumed substantial costs, time, and energy. Belize Electricity Limited (BEL) had been owned by the government of Belize and was the main supplier of electricity in the country. In October and November 1999, Fortis Inc. acquired 67 per cent of the company for \$36 million in cash. It later acquired BECOL and a proposal by this company to develop a hydroelectric project in Belize received international attention and became a sensitive issue for management.

At the time of acquisition, BEL served about 53,000 customers. It was able to meet the country's peak demand of 44 megawatts from the Mollejon hydro plant, its own diesel-fired generation, and purchases of energy from Comision de Electricidad, the Mexican state-owned power company. During 2000, the company conducted a quarterly Customer Satisfaction Survey and received an average 85 per cent satisfaction rating. Several initiatives improved BEL's performance, including expanded service, improved reliability, monthly visits to customers, and the implementation of convenient payment options for customers.<sup>2</sup>

BEL enhanced its corporate image in several other ways. It reduced electricity rates by seven per cent — a move targeted at commercial customers to assist in stimulating economic activity.<sup>3</sup> The company deployed operational teams from Newfoundland Power and Maritime Electric to repair damage caused by Hurricane Keith in the northern coastal regions of Belize on September 30, 2000. A safety program was implemented to reduce the risk of injury to employees and the public. This included the promotion of public safety and sponsorship of safety awareness campaigns.<sup>4</sup>

BEL was concerned about the environment and initiated a program to meet compliance with the ISO 14001 environmental standard. It completed environmental cleanups at its generating plants and some diesel plants were decommissioned. The company signed a Memorandum of Intent to purchase excess capacity from Belize Sugar Industries, which had proposed construction of an electrical generation facility fuelled by sugar cane residue.<sup>5</sup>

BEL continued to improve its operations during 2001. Automated billing was introduced for its now 57,000 customers. Rural electrification projects continued in partnership with the Belizean government. These projects would eventually result in the closing of the remaining isolated diesel plants. A comprehensive safety audit was conducted and was the basis for a plan to increase employee safety. The

<sup>1</sup> *Generating Growth 2001 Annual Report, Fortis Inc.*, pp. 10-24.

<sup>2</sup> *Electrifying Growth 2000 Annual Report, Fortis Inc.*, p. 16.

<sup>3</sup> *Ibid.*, 35.

<sup>4</sup> *Ibid.*, pp. 4, 16-17.

<sup>5</sup> *Ibid.*, pp. 4, 18.

Customer Satisfaction Index continued high at 82.5 per cent. The company worked with the government to develop energy resources to meet the demand for energy with the goal of achieving self-sufficiency.<sup>6</sup>

BEL was sensitive to environmental concerns and continued to mitigate the environmental impact of its operations. In October, 2,600 customers were impacted by Iris, a Category IV hurricane which damaged 25 per cent of the distribution system, causing \$4 million in damage. The company donated about \$40,000 to the Belize Red Cross for relief activities and employees donated clothing, helped build shelters, and cooked and served meals to hurricane victims.<sup>7</sup>

The economic performance of BEL is summarized in Exhibit 2. The company's rates and minimum quality service standards were determined by the Public Utilities Commission (PUC). Also, the company had a license to generate, transmit, distribute, and supply electricity until 2015. At that time, it had the right of first refusal on a subsequent license and if its license was not renewed, Fortis was to be paid the greater of market value or 120 per cent of net book value of assets.<sup>8</sup>

For Fortis, the major event in 2001 was the purchase on January 26 of 95 per cent ownership in the Belize Electric Company Limited (BECOL) with the Belizean government owning the other five per cent. BECOL operated the only commercial hydroelectric station in the country at Mollejon on the Macal River. The plant produced 25 megawatts and was capable of delivering average energy of 80 gigawatt hours. BECOL's entire output was sold to Belize Electricity under a 50-year power purchase agreement.<sup>9</sup> Fortis paid \$103.1 million for BECOL and considered it a good strategic fit with its operation of BEL.<sup>10</sup> BECOL planned to build another dam on the Macal River and that became a major issue for BEL and Fortis.

## THE COUNTRY OF BELIZE

Belize was a sovereign, democratic state with a government operating on the principles of parliamentary governance based on the Westminster parliamentary system. Until 1973, the country was known as British Honduras. It became independent from Britain in 1981 but maintained membership in the British Commonwealth of Nations.

The country was located on the eastern or Caribbean coast of Central America, bordered by Mexico and Guatemala. A low plain extended along the coast with the land rising in the interior, where mountains rose to 1,124 metres above sea level. Eighty-four per cent of the country was covered with forests and about 10 per cent had arable land. The country was 22,966 square kilometres and the climate was subtropical. The main industries were sugar, citrus, fisheries, and bananas with some timber operations, food processing, and construction. Tourism had become an increasing contributor to the economy.

The largest city was Belize City, on the coast, which was the country's commercial hub. Inland about 75 kilometres was Belmopan, the capital where the seat of government had been relocated from Belize City to escape from the storms that flooded coastal areas. The country's population was less than 300,000.<sup>11</sup> The government believed that electrification was an important component in its attempts to improve the country's economy. The possible development of another hydro plant on the Macal River, known as the Chalillo project, was critical to increasing the supply of electricity.

<sup>6</sup> *Generating Growth 2001 Annual Report, Fortis Inc.*, pp. 6, 17.

<sup>7</sup> *Ibid.*, pp. 3, 18.

<sup>8</sup> *Ibid.*, p. 34.

<sup>9</sup> *Electrifying Growth 2000 Annual Report, Fortis Inc.*, p. 6.

<sup>10</sup> *Generating Growth 2001 Annual Report, Fortis Inc.*, p. 4.

<sup>11</sup> "About Belize," Government of Belize web site, [www.governmentofbelize.gov.bz/about\\_belize.html](http://www.governmentofbelize.gov.bz/about_belize.html), accessed December 29, 2008.

## THE CHALILLO PROJECT

Fortis, through BECOL, had proposed construction of a dam on the Macal River in the Cayo District of western Belize at a cost of about US\$27.3 million. The site was located in an unpopulated wilderness area, part of which was in the Mountain Pine Ridge Forest Reserve and the Chaquibul National Park. These areas covered most of the southern half of the Cayo District (see Exhibit 3). It would produce 7.3 megawatts of electricity for the Belize network and regulate the water flow of the river. The control over the water flow would increase the productivity and reliability of the Mollejon hydropower station downstream.

The Chalillo project included the following:

- a 49.5-metre-high and 340-metre-wide dam on the river
- a reservoir with a total surface area of 9.5 square kilometres
- a powerhouse at the foot of the dam
- an 18-kilometre transmission line from the powerhouse to the Mollejon plant
- ancillary requirements including an access road and construction camp.<sup>12</sup>

### Project Justification

As they had been working on the project for months, Marshall and Evans quickly identified its benefits, in particular for the Belizean economy and for the citizens of the country. Most importantly, the project would increase electrical output and raise energy self-sufficiency. The second dam on the Macal River would increase the productivity of the existing electrical plant at Mollejon. The output from the two plants would reduce reliance on petroleum generation, as diesel-fuelled generators could be closed. This would reduce greenhouse gas emissions and the possibility of oil spills.

A large portion of Belizean electrical energy was imported from Mexico under a contract that was to expire in 2008. The Mexican system experienced difficulties and was not a stable source, resulting in power outages in Belize. The completion of the Chalillo project meant that Belize would have a more reliable and secure supply of electricity, thus stabilizing and possibly reducing prices. Alternative sources of energy were examined by the government and BEL including thermal options (diesel and gas turbines), biomass, Battery Energy Storage Systems, and solar and wind power. Studies by BEL determined that power generated from the hydro source was less expensive than any other type of power. However, BEL was committed to purchasing power from a bagasse-fuelled generation facility planned by Belize Sugar Industries Limited (BSI). The facility would produce energy by burning crushed sugarcane and wood waste from nearby sawmills.

There were also auxiliary benefits from the project. The dam and reservoir would control flooding on the Macal River with significant economic, health and safety benefits to downstream residents, many of whom lived in the river's floodplain.

Also, there would be a steadier supply of water for residents, especially during the dry season. Employment would be created during construction and there would be economic benefits from supplying goods and services to the project.<sup>13</sup>

<sup>12</sup> Information for this section was obtained from "Chalillo Hydropower Project Summary," brochure published by Fortis Inc., Belize Electric Company Ltd., and Belize Electricity Limited, October 2001, p. 10.

<sup>13</sup> Most of the information for this section was obtained from "Chalillo Hydropower Project Summary," brochure published by Fortis Inc., Belize Electric Company Ltd., and Belize Electricity Limited, October 2001, pp. 7, 10, 15-17.

## Environmental Impact

Fortis, through BECOL, was sensitive to the need for an environmental impact assessment. A five-volume Environmental Impact Assessment (EIA) report on the “Macal River Upstream Storage Facility” (technical name for the Chalillo project) was submitted by BECOL to the Belizean government in August 2001. Two portions of the EIA are discussed below.

The Natural History Museum, London, England, conducted a wildlife impact assessment of the proposed Chalillo project in early 2001. The report confirmed that the area which would be impacted contained a rare and discrete floral floodplain habitat. This habitat relied on the flow of oxygenated water and the seasonal flooding following heavy rain. The project would adversely impact a biologically rich and diverse area, as well as many animals inhabiting the area, including jaguar, Baird’s tapir, Morelet’s crocodile, several species of monkeys, the Central American Scarlet Macaw, and various other bird life. The report concluded that mitigation of the negative impacts of large-scale dams on wildlife was usually irreversible and that mitigation efforts were often ineffective.<sup>14</sup>

The Natural History Museum report applied conservation criteria to three options:

- Do not build the Chalillo dam. This was the best opportunity to avoid the impact on key aquatic and terrestrial wildlife. It stated that, “This option should be considered seriously, especially if costs identified in reviews of the technical, socio-economic and environmental assessments ... are considered to outweigh the benefits of meeting the growing demand and utilization of electrical energy by increasingly criticised hydroelectric projects.”
- Select an alternative site for damming. If tributaries were dammed instead, they could potentially supply the same volume of water with less damage to the environment. But, this alternative would require technical, economic and environmental surveys.
- Proceed as planned. If this option were followed, it would not be possible to satisfactorily mitigate against most of the long-term impact to the environment. However, the report did identify measures that would partially alleviate some of the impact of construction and operation.<sup>15</sup>

The report identified several measures to mitigate or offset the impact of the project, including: building roads to avoid sensitive wild plant and animal life sites, issuing safe and clear guidelines to drivers, prohibiting all hunting and settling in the area, providing fire protection, maintaining a minimum water flow in the river, and re-aerating water before releasing it downstream.<sup>16</sup> The concluding recommendation of the report was:

Based on the rarity of the habitat, and the dependence on this habitat by several endangered species, the “*No Build*” option is highly recommended as the most suitable and appropriate option for the long-term viability and conservation of wildlife in Belize.<sup>17</sup>

The Canadian International Development Agency (CIDA) hired AMEC, a British engineering and project management consulting firm, to prepare an environmental impact assessment of the Chalillo project. CIDA’s involvement was a form of aid to a developing country. The assessment was performed in accordance with the *Belize Environmental Protection Act* and the “Projects Outside Canada Environmental

<sup>14</sup> C. M. Minty, “Preliminary Report on the Scientific and Biodiversity Value of the Macal and Raspaculo: A Wildlife Impact Assessment for the Proposed Macal River Upper Storage Facility” (Executive Summary), The Natural History Museum, London, England, May 24, 2001, [http://old.probeinternational.org/catalog/pi/documents/belize/NHM9\\_05\\_01Wia15.pdf](http://old.probeinternational.org/catalog/pi/documents/belize/NHM9_05_01Wia15.pdf).

<sup>15</sup> *Ibid.*, p. 49.

<sup>16</sup> *Ibid.*, pp. 46-47.

<sup>17</sup> *Ibid.*, p. 49.

Assessment Regulations” of the Canadian Environmental Assessment Act. CIDA’s report, dated August 2001, summarized the advantages and disadvantages of the project. Adverse predicted impacts were the risk to plant and animal species. There would be no predicted impact on population, tourism and recreation, transportation and public safety, heritage and archaeological resources, water and air quality, parks and forest preserves, and aquatic resources. Positive predicted impacts would include labour force, economy, flood control, reliability of power supply, increased power self-sufficiency, and decreased cost of electricity.<sup>18</sup>

The report’s conclusions regarding the Chalillo project on the Macal River included:

1. The project is presently the most economical option for generating power in Belize.
2. It is both technically and economically viable and will maximize the hydroelectric power generation of the river.
3. It will help decrease energy reliance on outside sources.
4. The electric utility will have the flexibility necessary to provide better service to its customers.
5. There will be significant flood control benefits to downstream stakeholders.<sup>19</sup>

The studies called for a plan to implement the recommended mitigation measures, including the development of a contingency plan prior to construction. Also, a monitoring or compliance plan should be formulated.<sup>20</sup> Marshall and the Fortis management believed that the environmental impact had been adequately studied. Marshall stated that, “Fortis has undertaken a comprehensive study of the environmental implications of the Chalillo project and the benefits of the project to the people of Belize.”<sup>21</sup>

### Opposition to the Project

During 2001, criticisms and opposition were voluminous, some of which are listed in Exhibit 3. In addition, several Canadian print and broadcast media carried stories, there were letters to the editor in newspapers, and protest web sites were established.

Numerous environmental ENGOs campaigned against the project, including Probe International (PI), Natural Resources Defense Council (NRDC), Sierra Club, the Sierra Club of Canada, the Belize Alliance of Conservation Non-Governmental Organizations (BACONGO), Humber Environmental Action Group, Humber Natural History Society, Petitcodiac Riverkeeper, Action Environment, Defenders of Wildlife, Environment Coalition of Prince Edward Island, and Falls Brook Centre.

In particular, Probe International carried out an aggressive campaign and coordinated the protests of other ENGOs.<sup>22</sup> PI was an environmental advocacy group that fought to stop ill-conceived aid, trade projects and foreign investments. It worked to give citizens the tools they needed “to stop these projects using the rule of law, democratic processes, and honest and transparent accounting.”<sup>23</sup> It was a division of the Energy Probe Research Foundation, a well-known Canadian environmental and energy policy ENGO created in 1980. Its tactics included letter-writing to public officials, preparation and publishing of reports and articles, media releases, speech presentations, and public demonstrations.

<sup>18</sup> “Macal River Upstream Storage Facility Environmental Impact Assessment - Part 1 Main Report” (Executive Summary), AMEC and Canadian International Development Agency, August 2001, [www.probeinternational.org/chalillo/news-and-opinion/macal-river-upstream-storage-facility-environmental-impact-assessment](http://www.probeinternational.org/chalillo/news-and-opinion/macal-river-upstream-storage-facility-environmental-impact-assessment).

<sup>19</sup> *Ibid.*, Main Report, p. 18.

<sup>20</sup> *Ibid.*, Executive Summary, ES-2 and ES-3.

<sup>21</sup> “News Article,” Fortis Inc. web site, November 1, 2002, [www.fortisinc.com/News/Article.aspx?id=134](http://www.fortisinc.com/News/Article.aspx?id=134).

<sup>22</sup> Fortis Belize web site, Probe International, [www.probeinternational.org/fortis-belize/news\\_and\\_opinion](http://www.probeinternational.org/fortis-belize/news_and_opinion).

<sup>23</sup> “About Us,” Probe International web site, [www.probeinternational.org/node/5818#tabs-tabset-1](http://www.probeinternational.org/node/5818#tabs-tabset-1).

The other main opposition came from NRDC, an environmental action group founded in 1970. Its mission was to safeguard the Earth: its people, its plants and animals, and the natural systems on which all life depends. It had offices in seven U.S. cities, staff of about 300 lawyers, scientists and policy experts, and about one million members. Robert F. Kennedy, Jr., a lawyer, was the main spokesperson for NRDC on the Chalillo project.<sup>24</sup>

Probe International maintained an elaborate web site in opposition to the project. Another web site devoted exclusively to the Chalillo project was Stop Fortis! at [www.stopfortis.org](http://www.stopfortis.org), which contained extensive information on the project, including photographs. Several environmental groups placed advertisements in Canadian newspapers. The wording in one advertisement included:

Look her [a jaguar] in the eyes. Now explain why a Canadian company wants to destroy her home. It won't be easy. Fortis Inc. of Newfoundland plans to profit from it ... with a dam that makes no sense.

Look him [Stan Marshall] in the eyes. And tell Fortis CEO Stan Marshall that it is wrong to destroy one of the wildest places left in all of Central America.<sup>25</sup>

Readers were invited to visit a web site, [www.stopfortis.org](http://www.stopfortis.org), or call toll free 1-866-STOP-FORTIS.

The criticisms of Fortis' practices and the dam's construction are summarized in Exhibit 4. Fortis, and Marshall in particular, responded to this criticism. A news release was made on November 1, 2001, called "Decision to Build Hydroelectric Dam in Belize Should Reside with Belizeans." The main points made in the release were:

- Belizeans should decide on the construction of the dam.
- Contrary to information from ENGOS, the dam is economically feasible and will ensure a more stable energy supply.
- Information presented by ENGOS is misleading the media about the environmental impact of the project.
- Fortis is willing to review its business activities with stakeholders.<sup>26</sup>

In a story in *The Telegram* on November 2, Marshall stated to a reporter that, "This bombardment in the media of misleading information is putting enormous pressure on me, attacking me personally and inundating the media with lies." He also said, "Whatever we do as an electric company will impact the environment, but it's a question of how well we can manage our activities. On balance, this project is a good one. If I felt personally that we were going to threaten an endangered species and wipe it out — no. I would not propose going ahead with it."<sup>27</sup>

In mid-2001, the Belizean government's National Environmental Appraisal Committee began its evaluation of the project. The Committee was comprised of nine government members and two non-government members representing the Association of National Development Agencies and BACONGO. In mid-November 2001, the Committee granted the environmental clearance for construction of the Chalillo dam, as the economic and other benefits of the project outweighed the environmental costs. Its decision was "conditional upon the development and signing of the Environmental Compliance Plan (ECP), which

<sup>24</sup> *Natural Resources Defense Council web site, [www.nrdc.org/about](http://www.nrdc.org/about).*

<sup>25</sup> "Look her in the eyes," advertisement, *The Telegram*, St. John's, Newfoundland, October 18, 2001, D11.

<sup>26</sup> "News Article," Fortis Inc. web site, November 1, 2002, [www.fortisinc.com/News/Article.aspx?id=134](http://www.fortisinc.com/News/Article.aspx?id=134).

<sup>27</sup> Will Hilliard, "Dam opponents misled: Fortis," *The Telegram*, St. John's, Newfoundland, November 2, 2001, A3.

would incorporate the mitigation measures identified in the EIA in addition to those recommended during the evaluation process.”<sup>28</sup>

Opponents of the project immediately criticized the decision, claiming that the government was biased. The government members voted for the project and the prime minister had publicly supported the project. Critics also pointed out the lack of public consultation during the evaluation process. They claimed the public hearings being held after the announcement were to present or explain the decision. This approach contravened law that required public hearings with submissions from interested stakeholders.<sup>29</sup>

### The Decision and Expected Opposition

Looking back over the past year, Marshall and Evans were amazed at the extent of the opposition and criticism. Even with the Belizean government’s approval, they realized that the coming year would most likely be more of the same. Some of the circumstances and challenges that Fortis’ management faced were:

- Legal action seeking injunctions or stoppage of the project in the Belizean, Canadian and British court systems.
- Political lobbying by ENGOs of government agencies, officials and politicians in Belize and Canada.
- Pressures to reduce electricity prices and certainly against increasing them. Customer satisfaction measures might decline if lower prices were not delivered.
- Protests against the project through letters to the editor, demonstrations at Fortis properties, and petitions.
- More celebrity “protest” appearances.
- Newspaper advertising against the project.
- Shareholders might be concerned and there might be questions from activists at the Annual Shareholders Meeting. The social investing concept was increasing in popularity.
- Calls for more environmental studies and challenges from ENGOs on the accuracy of EIAs.
- Constant monitoring and evaluation by ENGOs of everything related to the project.
- Adverse media coverage.
- The political environment might change in Belize if a different party was elected to govern.

The project had consumed a lot of time, energy and resources and Marshall and Evans wondered whether or not it was worth it. There might be less demanding projects which would add as much value to the company. They turned away from the harbour view and started to draft their report and recommendation to the board of directors.

<sup>28</sup> “Chalillo Dam receives Environmental Clearance,” Press Release, Ministry of the Environment, November 13, 2001, <http://sanpedrosun.net/old/01-453.html>.

<sup>29</sup> “Chalillo Dam - Who will benefit?” (Editorial), *The San Pedro Sun*, 11:46, November 22, 2001, <http://sanpedrosun.net/old/01-463.html>.

## Exhibit 1

**SELECTED FINANCIAL DATA  
FORTIS INC. 1997-2001  
(In Canadian Dollars)**

	1997	1998	1999	2000	2001
Operating Revenues ('000\$)	486,662	472,725	505,218	580,197	628,254
Operating Expenses ('000\$)	341,024	339,429	356,227	417,607	418,347
Income Taxes ('000\$)	29,449	22,998	27,476	17,228	28,088
Share Earnings ('000\$)	30,006	27,414	29,183	36,759	53,442
Total Assets ('000\$)	1,017,396	1,037,192	1,238,597	1,478,596	1,642,752
Book Value per Share \$	25.58	26.09	26.21	27.89	29.97
Dividend per Share \$	1.76	1.80	1.81	1.84	1.87
Share Price (closing) \$	42.00	38.25	31.40	36.00	46.95

Source: "Historical Financial Summary," *Generating Growth 2001 Annual Report, Fortis Inc.*, pp. 58-59.

**Exhibit 2  
BELIZE ELECTRICITY LIMITED  
FINANCIAL PERFORMANCE 2000 AND 2001  
(In Canadian Dollars)**

	2000	2001
Earnings	\$8.2 m	\$9.3 m
Energy Sales	229 GWh	257 GWh
Revenues	\$63.6 m	\$72.4 m
Power Expenses	\$30.6 m	\$34.8 m
Other Operating Expenses	\$13.6 m	\$14.2 m
Earnings Contributed to Fortis Inc.	\$5.5 m	\$6.3 m
Capital Expenditures	\$21.0 m	\$27.6 m
Long-Term Debt	\$60.6 m	\$84.3 m

Source: *Electrifying Growth 2000 Annual Report, Fortis Inc.*, pp. 35-36, and *Generating Growth 2001 Annual Report, Fortis Inc.*, pp. 3, 33-34, 38, 48.

## Exhibit 3

## SELECTED ACTIVITIES OPPOSING THE CHALILLO PROJECT DURING 2001

February 2	Belizean newspaper, <i>The Reporter</i> , carries a story about a school teacher allegedly being fired because he opposed the project
May 5	M.P. Keith Martin requests release of environmental impact assessment in the Canadian House of Commons Oral Question Period
May 20	<i>The Reporter</i> carries story that proposed dam could flood Maya ruins
June 3	<i>The Reporter</i> carries story claiming Canadians not being told the truth about the Chalillo project
August 29	Probe International complains to Minister of International Cooperation about CIDA's secrecy
September 20	Harrison Ford speaks out against the proposed dam
October 4	Opposition MP Svend Robinson expresses concern about project to Minister of International Cooperation
October 12	Probe International and other groups write a letter to the Minister of Foreign Affairs calling for the government to stop supporting the dam
October 18	Coalition of environmental groups launch a series of "hard hitting" advertisements in Atlantic Canadian newspapers opposing the dam
October 29	Probe International writes a letter to Fortis' board of directors regarding the company's refusal to meet with citizens groups
October 30	Greg Malone, St. John's comedian, starts campaign to save endangered creatures
October 31	<i>National Post</i> editorial states that what Belize needs is a free energy market rather than an uneconomical dam
November 1	Harrison Ford, Robert Kennedy, and others lobby against dam that could destroy a forest at a Toronto Stock Exchange press conference
November 30	Concerned citizens from across Atlantic Canada hold regional day of action in opposition to the project
December 2	Environmental NGOs announce they will be contacting Fortis' major shareholders
December 4	Probe International files a complaint against CIDA's involvement with the hydro scheme
December 18-23	Robert Kennedy Jr. travels to Belize to support citizens opposing the dam
December 31	Conservation groups claim that the Belizean government's clearance for the hydro project is illegal

Source: Compiled from Belize Fortis Campaign, pp. 13-20, Probe International web site, [www.probeinternational.org/fortis-belize/news\\_and\\_opinion](http://www.probeinternational.org/fortis-belize/news_and_opinion).

**Exhibit 4****MAIN CRITICISMS OF THE CHALILLO PROJECT**

- The threat to wild and plant life, especially endangered species.
- The dam would exacerbate the water quality problems downstream.
- The dam might flood Maya ruins, destroying the cultural landscape.
- Limestone caves might drain the reservoir.
- The claim that the project was uneconomical and not the cheapest option. The only reason the project was viable was because BEL had a monopoly and could recover costs from captive customers.
- Fortis' unwillingness to consider alternative sources, denying consumers better and cheaper electricity.
- The allegation that Fortis asked the Canadian government, through CIDA, to pay for a study justifying the project. It was claimed that the study was biased, involved too much secrecy, and failed to promote and ensure effective stakeholder consultation.
- According to environmental groups, Fortis denied them access to pertinent information and failed to consult them.
- Fortis would not make its own geology studies and engineering plans public or agree to an independent panel review.
- There was insufficient information on the impact of the project.

*Source: Compiled from Belize Fortis Campaign, pp. 13-20, Probe International web site, [www.probeinternational.org/fortis-belize/news\\_and\\_opinion](http://www.probeinternational.org/fortis-belize/news_and_opinion).*