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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER C-2-13**

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IN THE MATTER OF
the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by British Columbia Hydro and Power Authority
for Approval of the John Hart Generating Station Replacement Project

BEFORE: M.R. Harle, Panel Chair/Commissioner February 8, 2013
N.E. MacMurchy, Commissioner
R.D. Revel, Commissioner

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

WHEREAS:

- A. On May 25, 2012, British Columbia Hydro and Power Authority (BC Hydro) applied (the Application) pursuant to subsection 46(1) of the *Utilities Commission Act* (the Act) for a Certificate of Public Convenience and Necessity (CPCN) to construct and operate the John Hart Generating Station Replacement Project (Project) as described in the Application;
- B. The Project is located at the existing John Hart Dam and Generating Station (John Hart Facility) located on the Campbell River on Vancouver Island. The John Hart Facility was originally brought into service between 1947 and 1953. There is no flow bypass facility, and the John Hart water conveyance system and powerhouse have seismic deficiencies which require remediation to mitigate public and employee safety, financial, and environmental risks. The age and condition of the existing generator units at the John Hart Facility represent a significant and increasing risk to reliability;
- C. The Project has two main components: (1) the replacement of most of the existing water conveyance system. Except for the surge towers, the water conveyance system will be replaced with an underground tunnel which will have a replacement intake located on bedrock at the existing main concrete dam. The surge towers may be retained and connected to the tunnel. A flow bypass facility will be installed to provide replacement to the Campbell River should there be insufficient flow from the replacement powerhouse; and (2) the replacement of the existing six unit powerhouse with a three unit powerhouse with a dependable capacity of 128 megawatts;
- D. The Project has an Expected Amount of \$1,014.3 million, referenced on a Design-Bid-Build (DBB) P50 estimate that includes costs to date. The Project has an Expected Amount of \$940 million, referenced on a Design-Bid-Finance-Rehabilitate (DBFR) P50 estimate. The Project has an expected in-service date of November 2018;
- E. By Order G-68-12 dated May 28, 2012, the British Columbia Utilities Commission (the Commission) established a Written Public Hearing process for the review of the Application having two rounds of Information Requests according to the Regulatory Timetable as set out in Appendix A to that Order;

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER C-2-13**

2

- F. On August 24, 2012, the Commission notified Registered Interveners that a Procedural Conference would be held on September 26, 2012 in Vancouver BC;
- G. On September 21, 2012, BC Hydro advised the Commission that it had canvassed all remaining Registered Interveners on the need for a Procedural Conference. BC Hydro advised that all five of BC Hydro's customer interveners will not be submitting evidence, that they see no need for a third round of information requests and consequently do not see a need for a Procedural Conference. BC Hydro further stated that Mr. Aikman, a BC Hydro customer, advised that he had "no objection to proceeding directly to legal arguments." However, Clean Energy Association of British Columbia (CEABC), representing independent power producers, and Mr. Alan Wait, a private ratepayer of FortisBC Inc., are of the view that a Procedural Conference was necessary;
- H. BC Hydro submitted that a Procedural Conference was not needed on the basis that: (1) no intervener has indicated it intends to file evidence; (2) a third round of information requests was not necessary; and (3) that disagreements can and should be addressed through Final Submissions, subject to BC Hydro following up with CEABC regarding the adequacy of a tunnel related response;
- I. By letter dated September 21, 2012, the Commission advised all Registered Interveners that it had considered BC Hydro's letter regarding the need for a Procedural Conference, and concluded that the Procedural Conference scheduled for September 26, 2012 was not required and therefore was cancelled;
- J. By Order G-138-12 dated October 2, 2012, the Commission approved BC Hydro's request for a revised Regulatory Timetable as set out in Appendix A to that Order;
- K. Final and Reply Submissions were made by November 22, 2012 in accordance with the revised Regulatory Timetable; and
- L. The Commission has reviewed and considered the Application, the evidence and the submissions presented on the Application, and has determined, as set out in the Decision issued concurrently with this Order, that the Project is in the public interest and that a Certificate of Public Convenience and Necessity should be issued to BC Hydro for the Project, subject to the conditions and directions set out in this Order.

NOW THEREFORE pursuant to section 46 of the *Utilities Commission Act* the Commission orders as follows:

1. A Certificate of Public Convenience and Necessity is granted to BC Hydro for the Project as set out generally in the Application.
2. The Certificate of Public Convenience and Necessity is granted for a maximum amount of \$940 million based on the Design-Bid-Finance-Rehabilitate P50 Expected Amount, and having an in-service date for total project completion of November 2018.
3. BC Hydro shall not obtain a recovery through rates of any cost overrun exceeding \$940 million until the Commission determines whether those costs have been incurred prudently or, alternatively, determines that a prudency review could be waived because that waiver is in the public interest and is otherwise in accordance with the *Utilities Commission Act*.

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER C-2-13**

3

4. BC Hydro is to file with the Commission a copy of the Project Agreement contract with the successful Proponent within two weeks of finalizing the contract.
5. BC Hydro is directed to comply with the following Commission directives with respect to reporting:
 - Following BC Hydro Board approval of the Project Agreement and no later than the Fall of 2013 BC Hydro is to host a workshop with interveners of this proceeding and with BCUC staff to develop a detailed methodology of semi-annual reporting. The methodology developed must be submitted to the Commission for approval no later than December 1, 2013.
 - BC Hydro will provide semi-annual progress reports in the form approved by the Commission. The semi-annual progress reports will be filed within 45 days of the end of each reporting period.
 - During the 15 year availability term, the semi-annual reports should specify, at a minimum, the amounts paid under the Project Agreement, and the amounts and reasons for any deductions made to availability payments.
 - BC Hydro, either concurrently with the semi-annual report workshop or in a separate workshop, is to host a workshop with interveners of this proceeding and with BCUC staff to develop a detailed methodology for the final report to be filed with the Commission upon Project completion. The methodology developed is to be submitted to the Commission for approval.
 - The final report should include an assessment of the Design-Bid-Finance-Rehabilitate methodology relative to a Design-Bid-Build approach, lessons learned in implementing the Project and recommendations for the use of Design-Bid-Finance-Rehabilitate in future projects. The methodology developed is to be submitted to the Commission for approval. The final report will be filed within six months of the end or substantial completion of the Project. The final report is to include a complete breakdown of the final costs of the Project, a comparison of these costs to the DBFR P50 Expected Amount set out in the Application, and an explanation and justification of all material cost variances.
6. BC Hydro is directed to prepare and file with the Commission a Project Schedule once the Project Agreement has been finalized.

DATED at the City of Vancouver, in the Province of British Columbia, this 8th day of February 2013.

BY ORDER

Original signed by:

Michael R. Harle
Panel Chair/Commissioner