

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-196-13**

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

and

**British Columbia Hydro and Power Authority
A Complaint filed by Westhills Land Corporation**

BEFORE: C.A. Brown, Commissioner
N.E. MacMurchy, Commissioner
B.A. Magnan, Commissioner November 28, 2013
D.M. Morton, Commissioner
R.D. Revel, Commissioner
C. van Wermeskerken, Commissioner

O R D E R

WHEREAS:

- A. On May 8, 2013, the British Columbia Utilities Commission (Commission) received a complaint letter from the Westhills Land Corporation (WLC). In their letter, WLC explained that the British Columbia Hydro and Power Authority (BC Hydro) provided WLC with an original cost quotation in July 2008 for their planned development in the City of Langford, and later provided revised cost quotations between December 2009 and July 2012 that resulted in higher costs to WLC (Complaint);
- B. On June 28, 2013, BC Hydro provided a response to the WLC Complaint;
- C. On July 24, 2013, WLC raised additional questions and concerns. BC Hydro provided a further response to WLC on September 16, 2013;
- D. On October 7, 2013, WLC requested the Commission to review the Complaint;
- E. Section 8 of the BC Hydro Electric Tariff provides the terms and conditions relating to Distribution Extensions;
- F. The Commission has reviewed the Complaint with the submissions received, and considers that BC Hydro has carried out its process in accordance with the BC Hydro Electric Tariff.

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NOW THEREFORE pursuant to section 83 of the *Utilities Commission Act*, the Commission finds that BC Hydro is acting in accordance with section 8 of its Electric Tariff and the Westhills Land Corporation Complaint is dismissed.

DATED at the City of Vancouver, in the Province of British Columbia, this 29th day of November 2013.

BY ORDER

Original signed by:

D.M. Morton
Commissioner

Attachment

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REASONS FOR DECISION

1.0 INTRODUCTION

On May 8, 2013, the Commission received a letter from Westhills Land Corporation (WLC), a development company that has been developing lands in the City of Langford since 2008. WLC is not satisfied with the cost estimates provided by British Columbia Hydro and Power Authority (BC Hydro) for distribution extensions into a greenfield development called Westhills Phase 2A. WLC explained that BC Hydro provided WLC with an original cost quotation in July 2008 for their planned development in the City of Langford and later provided revised cost quotations between December 2009 and July 2012 that resulted in higher costs to WLC (Complaint). WLC has requested that the Commission review the Complaint.

2.0 COMMISSION REVIEW PROCESS

The Commission established a Customer Complaints Guide updated in April 2013 to resolve customer complaints. The types of complaints handled include tariff related customer service matters and application of standard charges and rates.

Upon receipt of the Complaint from WLC, Commission staff submitted the Complaint to BC Hydro and requested a response. On June 28, 2013, BC Hydro provided a response to the Complaint. In accordance with the complaints process once BC Hydro's submission was received it was sent to the complainant, allowing the complainant to provide a response to BC Hydro.

On July 24, 2013, WLC provided a response to BC Hydro. Commission staff also requested additional information from BC Hydro regarding the Complaint. BC Hydro provided a response on September 16, 2013. In a letter dated October 7, 2013, WLC formally requested that the Commission review the Complaint and proceed on the basis of the information received from BC Hydro.

2.1 Jurisdiction of the Commission

Section 83 of the *Utilities Commission Act* provides that if a complaint is made to the Commission, the Commission has powers to determine whether a hearing or inquiry is to be had, and generally whether any action on its part is or is not to be taken. Further, with respect to the Complaint, section 8 of the BC Hydro Electric Tariff provides the terms and conditions relating to Distribution Extensions (attached).

3.0 COMPLAINT OVERVIEW

On July 31, 2008, BC Hydro provided an original quotation for Westhills Phase 2A. The quotation stated that, "The quoted costs are subject to review if, due to customer delays, BC Hydro is unable to install the electrical work within 6 months of the date payment is received. Costs may also be revised if your proposal changes in any way or if site conditions dictate a last minute redesign" (BC Hydro's standard quotation letter). This quotation listed WLC's share of the construction costs for that project as \$738,359 and the credit for value of work to be completed by WLC as \$434,789. This resulted in a net construction cost and cash payment from WLC to BC Hydro in the amount of \$318,748.50 (including tax). WLC accepted this quotation and provided the required cash payment to BC Hydro on August 5, 2008. WLC was required to complete various construction works and BC Hydro would then install the underground electrical materials. This work was not completed and development in the area was suspended by WLC.

In September 2009, a meeting was held between WLC and BC Hydro to discuss the resumption of construction with some changes to the timing and scope of the development for Phase 2A. Accordingly, BC Hydro calculated a new quotation based on the revised scope along with current system requirements and issued the quotation in December 2009. The economic downturn in 2008 impacted WLC and the regional planning perspective generally. BC Hydro notes, "Requirements for civil works for BC Hydro's system requirements were reduced and greater utilization of the works by the customer was anticipated." BC Hydro also notes, "The possibility of a future substation in the Goldstream area was no longer under consideration in system planning, and the need to serve loads beyond the Westhills development was also uncertain" (BC Hydro Response to WLC, June 28, 2013).

The new December 2009 quotation listed WLC's share of the construction costs as \$666,132. It also listed the credit for value of work to be completed by WLC as \$82,036. The lower credit for value of work to be completed by WLC was the result of WLC not "undertaking the construction of the feeder duct bank for the Stage 4 portion of the work..." (BC Hydro Response to WLC, June 28, 2013). This resulted in a net construction cost of \$584,096. Given that WLC had already paid \$318,748.50 (including tax), the second required cash payment from WLC to BCH was in the amount of \$294,552.30 (including tax).

In February 2010, this second quotation was further revised to include a contribution in kind of \$230,000 for work WLC had completed for BC Hydro to install feeder ducts as part of the original quotation. Consequently, the second required cash payment was reduced to \$53,052.30 (including tax).

In April 2010, BC Hydro provided a quote for the construction of its feeder duct bank for the Stage 4 portion of the work. Initially, the quote listed WLC's share of construction costs as \$111,658. However, after discussion with WLC, on May 11, 2010, BC Hydro revised WLC's share of construction costs to \$47,119. BC Hydro also listed the credit for value of work to be completed by WLC as \$47,119. This resulted in \$0 net construction cost and no payment required by WLC.

In June 2011, BC Hydro prepared a quote for the electrical distribution associated with Stage 4. Initially, the quote listed WLC's share of construction costs as \$495,184. However, after revisions to the scope through discussions with WLC, on July 23, 2012, BC Hydro revised WLC's share of construction costs to \$307,484. BC Hydro also listed the credit of value of work to be completed by WLC as \$107,436. This resulted in a net construction cost of \$200,048 which required a payment by WLC to BC Hydro in the amount of \$224,053.76 (including tax).

By way of summary, the total payment required of WLC for the Distribution Extension to date is \$595,854.56 (\$318,748.50 + \$53,052.30 + \$0 + \$224,053.76).

4.0 COMMISSION DETERMINATION

The Commission has reviewed the cost quotations provided by BC Hydro to WLC. Due to the delay in development by WLC as a result of the economic downturn in 2008, BC Hydro was unable to install the electrical work within 6 months of the date payment was received. Consequently, the original quotation became invalid. As a result, BC Hydro conducted an assessment of its system planning needs and submitted a revised cost quotation to WLC. This revised quote resulted in a higher payment from WLC due to changes in the scope and pace of development. As the development progressed additional costs were allocated to WLC due to regional planning changes. The Commission finds that BC Hydro has provided cost quotes in accordance with the provisions of Section 8 of the BC Hydro Electric Tariff.

The Commission recognizes the economic impact on WLC as a result of the cost allocation changes. While it is unfortunate that WLC has been affected, the Commission must ensure that the BC Hydro Electric Tariff is applied to all customers in a fair and consistent manner.

For the reasons set out above, the Commission finds that these changes in BC Hydro's quotations are appropriate and in accordance with section 8 of the BC Hydro Electric Tariff and therefore the WLC Complaint is dismissed.