



**LETTER L-41-14**

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Log No. 48310

**VIA EMAIL**

August 8, 2014

TO: Regulated Utilities  
Stakeholders

Re: Review of 2010 Certificate of Public Convenience and Necessity  
Application Guidelines and the Project Reporting Process and Purposes

On April 3, 2013, the British Columbia Utilities Commission (Commission), by Order G-47-13, issued its Decision on the Stage 2 Prudency Expenditure Inquiry for the Kettle Valley Distribution Source Project. In the Decision, the Commission Panel made three recommendations (pp. 56-57) as follows:

1. The Commission should initiate a review of the Certificate of Public Convenience and Necessity Guidelines. The areas of particular concern with respect to this Decision are the preparation of project estimates including the analysis of project risk.
2. The Commission should initiate a review of document retention policies. This review should include within its scope documents related to the provision of project estimates, design and construction related documents, communications and project reports.
3. The Commission should initiate a review of the project reporting process and purposes. This review should address the question of what regulatory process, if any, should be associated with the filing of annual and other required reports to the Commission.

To address recommendations #1 and #2, Commission staff have prepared a Draft 2015 Certificate of Public Convenience and Necessity Application Guideline (attached as Appendix A) for stakeholder review and comment. A blackline copy of the 2010 Certificate of Public Convenience and Necessity Application Guideline has also been provided as Appendix B.

In addition to the above, the Commission is seeking written comments on the need for other updates to the Draft 2015 Certificate of Public Convenience and Necessity Application Guideline and the identification of any issues that may require an update. The comments submitted should identify the need, scope, urgency, and reasons for any proposed changes.

For recommendation #3, the Commission wishes to inform the stakeholders that its internal review process for project progress reports has changed since the Kettle Valley Distribution Source Project and the Prudency Review. For reporting purposes, the Commission now has a formal process for the tracking of compliance reporting, including the receipt and acknowledgement, the review, and, when necessary, the escalation to a higher level review by Commission staff. This process has been in place since mid-2012.

In regard to recommendation #3, the Panel in its Decision stated:

"Project progress reports are typically used to inform the Commission of the on-going status of the project. They also provide Commission staff with an opportunity to request additional information on certain items that require further elaboration. The project progress reports and the responses to Commission information requests are available to the public upon request but are not posted to

the Commission's website nor is notification forwarded to the Interveners of the filing of the project progress reports. Further, project progress reports and the responses to Commission information requests are not usually entered as exhibits in revenue requirements hearings to assess prudence of the expenditures." (Decision for G-47-13, pp. 56-57)

For the purpose of the review of recommendation #3, the Commission is seeking stakeholders' comments on:

1. If, how and when should project progress reports be made publically available;
2. Whether the project progress reports should be considered proceeding documents in the context of the Commission's Confidential Filing Practice Directive, thus making them public unless confidentiality is requested in accordance with the protocols; and
3. Whether project progress reports and the responses to Commission information requests should be entered as exhibits in revenue requirements hearings to assess prudence of the expenditures.

The Commission seeks comments from:

- all utilities regulated by it;
- the Interveners in the FortisBC Inc. Expenditure Review regarding the Kettle Valley Distribution Source Project;
- the Interveners in the BC Hydro F2015-2016 Revenue Requirements;
- the Interveners in the FortisBC Inc. Performance Based Ratemaking Revenue Requirements 2014-2018; and
- the FortisBC Energy Inc. Performance Based Ratemaking Revenue Requirements 2014-2018 and the FortisBC Energy Utilities Long Term Resource Plan.

The Commission requests that any person wishing to provide comments on the above do so in writing by no later than Friday, October 3, 2014. To resolve outstanding issues resulting from the comments received, the Commission may request a second reply comment.

All written comments must be delivered to the following address:

**British Columbia Utilities Commission**  
Sixth Floor, 900 Howe Street  
Vancouver BC V6Z 2N3

Facsimile: (604) 660-1102  
Email: [commission.secretary@bcuc.com](mailto:commission.secretary@bcuc.com)  
Web: [www.bcuc.com](http://www.bcuc.com)

To facilitate an efficient review of these guidelines, all written comments will be posted to the Commission's website.

Yours truly,

Erica Hamilton

DF/cms

Attachments:

- Appendix A The Draft 2015 Certificate of Public Convenience and Necessity Application Guideline
- Appendix B The blackline copy of the 2010 Certificate of Public Convenience and Necessity Application Guideline



## ***British Columbia Utilities Commission***

# ***2015 Certificate of Public Convenience and Necessity Application Guideline***

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## PURPOSE AND SCOPE OF GUIDELINES

The purpose of these guidelines is to assist public utilities and other parties wishing to construct or operate utility facilities in preparing their applications for a Certificate of Public Convenience and Necessity (CPCN) so the review of these applications by the British Columbia Utilities Commission (Commission) can proceed as efficiently as possible. The Commission expects CPCN applications will generally be prepared in accordance with the guidelines.

Section 45(1) of the Utilities Commission Act (UCA) requires that a person must not begin the construction or operation of a public utility plant or system, or an extension of either, without first obtaining from the Commission a CPCN approving the construction or operation. Section 46(1) of the UCA requires an application for a CPCN be filed with Commission.

A copy of the UCA can be found at [http://www.qp.gov.bc.ca/statreg/stat/U/96473\\_01.htm](http://www.qp.gov.bc.ca/statreg/stat/U/96473_01.htm)

The guidelines do not alter the fundamental regulatory relationship between utilities and the Commission. They provide general guidance regarding the Commission's expectations of the information that should be included in CPCN applications while providing the flexibility for an application to reflect the specific circumstances of the applicant, the size and nature of the project, and the issues that it raises. An applicant is expected to apply the guidelines in a flexible and reasonable manner. The Commission may issue further directions relating to the information to be included in specific CPCN applications and may require applicants to provide further information to supplement material in filed applications.

CPCN applications may be supported by long-term resource plans filed under section 44.1 of the UCA. These long-term resource plans may deal with significant aspects of project justification, particularly the need for the project and the assessment of the overall costs and benefits of the project and alternatives to the project. Under section 44.1(9) of the UCA, in approving a long-term resource plan, the Commission may order that a proposed utility plant or system, or an extension of either, is exempt from the requirements of section 45(1) of the UCA.

Public utilities and other project proponents are encouraged to initiate discussions with appropriate government agencies and consult with the public and potentially affected First Nations as early as possible in the planning and design phase of a project in order to gain an understanding of the issues to be addressed prior to the filing of an application.

## **DEEMED CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY**

Sections 45(2), 45(5) and 45(6) of the UCA state:

(2) For the purposes of subsection (1), a public utility that is operating a public utility plant or system on September 11, 1980 is deemed to have received a certificate of public convenience and necessity, authorizing it:

- (a) to operate the plant or system; and
- (b) subject to subsection (5), to construct and operate extensions to the plant or system.

(5) If it appears to the commission that a public utility should, before constructing or operating an extension to a utility plant or system, apply for a separate certificate of public convenience and necessity, the commission may, not later than 30 days after construction of the extension is begun, order that subsection (2) does not apply in respect of the construction or operation of the extension.

(6) A public utility must file with the commission at least once each year a statement in a form prescribed by the commission of the extensions to its facilities that it plans to construct.

In order to evaluate whether a public utility should apply for a CPCN for a specific extension to a utility plant or system and therefore whether to make an order pursuant to section 45(5), the Commission needs to be aware of planned extensions that are significant. This information is provided in the statement of planned extensions that a public utility is required to file at least once a year. The statement should be filed in a timely fashion and should identify each discrete extension to a utility plant or system that may have a material impact on customer rates or raise some other significant issue. The statement should include all extensions that the utility is likely to initiate over the period until the filing of the next statement on extensions, and should use a definition of extension that is as broad and inclusive as possible. A utility should inform the Commission in the event it plans to initiate a significant extension that was not identified in its most recent statement on extensions.

A long-term resource plan filed pursuant to section 44.1 of the UCA or a capital expenditure schedule filed pursuant to section 44.2(1)(b) may meet the requirements of section 45(6) provided it is filed prior to the start of the construction of the extensions. Also, section 45(4) provides that the Commission may, by regulation, exclude utility plant or categories of utility plant from the operation of section 45(1). Under this provision, the Commission may establish project thresholds relating to size, production capacity, type and absence of local impacts that will determine projects that would generally not require a CPCN application.

## **PROCEDURAL CONSIDERATIONS**

An application for a CPCN pursuant to sections 45 and 46 of the UCA will be made to the Secretary of the Commission. Applications are to be filed in accordance with the Commission's document filing protocols. A text recognizable and bookmarked electronic copy with working spreadsheets and 12 hard copies of the completed and signed CPCN application should be submitted. Applications are typically made public, except where special circumstances require confidentiality.

The filed application is initially reviewed by the Commission for possible deficiencies and any additional information is requested through an information request which is responded to by the applicant. Once the response to the information request is received, the application is reviewed by the Commission to understand the application, identify any additional deficiencies, and make a preliminary determination as to whether a hearing is required, and if required, the nature of the proceeding. Pursuant to section 46(2), the Commission may establish an oral or written hearing and regulatory timetable if further review of the application is required.

The Commission makes a determination on disposition of the CPCN application as follows:

- (a) Grant a CPCN without further input from the applicant or other interested parties.
- (b) Require further information from the applicant.
- (c) Set down an oral or written public hearing.
- (d) Deny the application.

Approval of a CPCN application results in the Commission issuing an order to the applicant granting the CPCN. The order may include terms and conditions which the Commission believes the public convenience or necessity require.

For further information, contact:

Commission Secretary  
British Columbia Utilities Commission  
Sixth Floor, 900 Howe Street  
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[Commission.Secretary@bcuc.com](mailto:Commission.Secretary@bcuc.com)  
web site: <http://www.bcuc.com>



## APPLICATION REQUIREMENTS

An application under sections 45 and 46 of the UCA should contain the following information:

1. Applicant

- (i) Name, address and description of the nature of the applicant's business and all other persons having a direct interest in project ownership or management;
- (ii) Evidence of the financial and technical capacity of the applicant and other persons involved, if any, to undertake and operate the project;
- (iii) Name, title and address of the person with whom communication should be made respecting the application;
- (iv) Name and address of legal counsel for the applicant, if any;
- (v) Organizational chart of the project team, including the names of the Project Manager and Executive Sponsor for the project; and
- (vi) Outline of the regulatory process the applicant recommends for the Commission's review of the application, including how persons who were consulted about the project can raise outstanding application-related concerns with the Commission.

2. Project Need, Alternatives and Justification

- (i) Studies or summary statements identifying the need for the project and confirming the technical, economic and financial feasibility of the project, identifying assumptions, sources of data, and feasible alternatives considered. The applicant should identify alternatives that it deemed to be not feasible at an early screening stage, and provide the reason(s) why it did not consider them further;

- (ii) A comparison of the costs, benefits and associated risks of the project and feasible alternatives, including estimates of the value of all of the costs and benefits of each option or, where these costs and benefits are not quantifiable, identification of the cost or benefit that cannot be quantified. Cost estimates used in the economic comparison should have, at a minimum, a Class 4<sup>1</sup> degree of accuracy as defined in the latest revision of the AACE International Recommended Practice No. 10S-90, Cost Engineering Terminology ;
- (iii) A schedule calculating the revenue requirements of the project and feasible alternatives, and the resulting impacts on customer rates;
- (iv) A schedule calculating the net present values of the incremental cost and benefit cash flows of the project and feasible alternatives, and justification of the length of the term and discount rate used for the calculation;
- (v) A schedule and supporting discussion comparing the project and feasible alternatives in terms of social and environmental factors, and the applicant's assessment regarding the overall social and environmental impact of the project relative to the overall impact of the feasible alternatives; and
- (vi) Information relating the project to the applicant's approved long-term resource plan filed pursuant to section 44.1 of the UCA, including the extent to which the project was considered in the plan, and, if applicable, a discussion explaining how the plan provides support and justification for the need for the project.

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<sup>1</sup> Class 4 estimates are generally prepared based on limited information and subsequently have fairly wide accuracy ranges. They are typically used for project screening, determination of feasibility, concept evaluation, and preliminary budget approval.

3. Consultation

First Nations Consultation

Note: Crown utilities are required to provide the information requirements set out in the British Columbia Utilities Commission 2010 First Nations Information Filing Guidelines for Crown Utilities, which replace and supersede the application requirements in this First Nations Consultation section of the CPCN Application Guidelines.

If an applicant is of the view that the application does not require consultation with First Nations, reasons supporting its conclusion should be provided to the Commission. Unless otherwise justified, the following information should be filed:

- (i) Identification of the First Nations potentially affected by the application or filing, including the feasible project alternatives; and the information considered to identify these First Nations.

For each potentially affected First Nation, summarize the consultation to date, including:

- (ii) Identification of any group, body, specific band or specific person(s) that have been consulting on behalf of the First Nation in connection with the application. Identify the specific member bands represented by any group or body;
- (iii) A chronology of meetings, other communications and actions;
- (iv) Any relevant, non-confidential written documentation regarding consultation, such as notes or minutes of meetings or phone calls, or letters received from or sent to the First Nation;
- (v) Identification of specific issues or concerns raised by the First Nation;
- (vi) Description of how the specific issues or concerns raised by the First Nation were avoided, mitigated or otherwise accommodated; or explain why no further action is required to address an issue or concern;

- (vii) Copies of any documents which confirm that the First Nation is satisfied with the consultation to date;
- (viii) Evidence that the First Nation has been notified of the filing of the application with the Commission and has been informed on how to raise outstanding concerns with the Commission; and
- (ix) The applicant's overall view as to the sufficiency of the consultation process with the First Nation to date, in the context of the decision which is being sought from the Commission.

#### Public Consultation

- (i) Overview of the community, social and environmental setting in which the project and its feasible alternatives will be constructed and operated, and of the public who may be directly impacted by the project and its feasible alternatives;
- (ii) Description of the information and consultation programs with the public, including the organizations, agencies and individuals consulted, the information provided to these parties, and a chronology of meetings and other communications with members of the public and their representatives. This includes consultation with both the public who may be directly impacted by the project and the public that may experience impacts on their rates and service;
- (iii) Description of the issues and concerns raised during consultations, the measures taken or planned to address issues or concerns, or an explanation of why no further action is required to address an issue or concern;
- (iv) Identification of any outstanding issues or concerns; and
- (v) Applicant's overall assessment as to the sufficiency of the public consultation process with respect to the project, in the context of the decision which is being sought from the Commission.

#### 4. Project Description

- (i) Description of the project, its purpose and cost, including engineering design, capacity, location options and preference, safety and reliability considerations, and all ancillary or related facilities that are proposed to be constructed, owned or operated by the applicant;
- (ii) Outline of the anticipated construction and operation schedule, including critical dates of key events, a chart of major activities showing the critical path (e.g., GANTT<sup>2</sup> chart), and the timing of approvals required from other agencies to ensure continued economic viability;
- (iii) Description of any new or expanded public works, undertakings or infrastructure that will result from or be required by the project, and an estimate of the costs and necessary completion dates;
- (iv) Human capital resources required to undertake the project;
- (v) Risk analysis identifying all significant risks to successful completion of the project, including an assessment of the probability of each risk occurring, the consequences and the cost to mitigate the risk, and any contingency amount allocated to each risk;
  - a. Without limiting the generality of the foregoing, the risk analysis should be applied to at least the following areas: regulatory, government policy, permitting, technical (design, construction, and operation), procurement and commercial, financial (including previously unassigned costs), load forecast uncertainty, fuel cost and availability, resources, design and construction, schedule, public safety, worker safety, environmental, operations, previously unassigned cost and first nations risks.
  - b. Each individual risk should be evaluated using a 5x5 risk assessment matrix<sup>3</sup>.
  - c. A risk register should be provided that includes the following columns: the risk number, the risk description, the probability risk level, impact risk level, overall risk level, the

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<sup>2</sup> GANTT chart is a bar chart which illustrates a project schedule.

<sup>3</sup> AACE International 62R-11: Risk Assessment Identification and Quantitative Analysis

proposed risk mitigation or control, the estimated financial risk and the estimated schedule risk.

- (vi) Identification and preliminary assessment of potential effects of the project on the physical, biological and social environments or on potentially affected First Nations and the public, proposals for reducing potentially negative effects and maximizing benefits from positive effects, and the cost to the project of implementing the proposals;
- (vii) Identification of the customers to be served by the project and, where the project would expand the area served by the applicant, a geographical description of the expanded service area;

- (viii) List of all required federal, provincial and municipal approvals, permits, licenses or authorizations; and
- (ix) Summary of the material conditions that are anticipated in federal, provincial and municipal approvals and confirmation that the costs of complying with these conditions are included in the cost estimate in the application.

5. Project Cost Estimate

- (i) Project cost estimate, including the level of effort used to develop the cost estimate (in dollars, percentage of total project cost and hours), a description of the method of estimating used, the percentage of project definition complete at the time of the estimate (in dollars and hours), and identification and justification of all assumptions, exclusions, inflation and discount factors, and sources of benchmarks and other data;
- (ii) The cost estimate should be stated in nominal as well as real dollars, identify an expected accuracy range and have, at a minimum, a Class 3<sup>4</sup> degree of accuracy as defined in the latest revision of AACE International Recommended Practice No. 10S-90, Cost Engineering Terminology;
- (iii) The cost estimate should provide:
  - (a) Any funds spent in prior years attributable to the project;
  - (b) A list of all project direct and indirect costs using both a project and contract work breakdown structures (having a minimum of three WBS levels ) by year until completion;
  - (c) Escalation (including inflation) amounts;
  - (d) Contingency amount;
  - (e) Interest during construction or allowance for funds used during construction and corporate overhead;

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<sup>4</sup> Class 3 estimates are typically prepared to support full project funding requests, and become the first project phase “control estimate” against which all actual costs and resources will be monitored for variations to the budget. They are used as the project budget until replaced by more detailed estimates.

- (f) Identification and explanation of any management or other reserves;
  - (g) Any legal, regulatory and other non-project costs, including costs associated with First Nations and public consultation and accommodation.
  - (h) The amounts and sources of any contributions in aid of construction, grants or other funding or credits related to the project .
- (iv) Identification of any cost items not included in the estimate, including transportation costs, sunk costs and the reason for the exclusion; and
  - (v) If a Monte Carlo<sup>5</sup> analysis was used to model and back-up the amount of project contingency included in the cost estimate, the base estimate, P50 expected value estimate, P90 estimate, histogram and cumulative curves, and tornado graphs.

6. Provincial Government Energy Objectives and Policy Considerations

- (i) Discuss how the project is consistent with and will advance the government's energy objectives as set out in the UCA. If the nature of the project precludes a direct link to the energy objectives, the application should discuss how the project does not hamper other projects or initiatives undertaken by the applicant or others, from advancing these energy objectives;
- (ii) Discuss how the project relates to and supports the Province's electricity self-sufficiency goals as set out in 64.01 of the UCA or as set out in Special Direction No. 10 to the Commission, if applicable; and
- (iii) Where the applicant is BC Hydro or a prescribed public utility, discuss how the project relates to and supports the Province's clean and renewable electricity goal as set out in 64.02 of the UCA, if applicable.

7. New Service Areas

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<sup>5</sup> Monte Carlo analysis involves using random numbers and probability to solve problems.



- (i) Telephone number or other means by which customers will be able to contact the utility, particularly regarding an emergency;
- (ii) Description of facilities and trained personnel that will provide emergency response;
- (iii) Tariff including terms and conditions of service, rate schedules and initial rates the applicant proposes for customers in the new service area; and
- (iv) Information confirming the proposed rates will be competitive with other service options that are available to customers in the new service area.

7. Document Retention

In the event that the Commission conducts a review of capital expenditures using an appropriate test, the onus is on the utility to show that its decisions were reasonable under the circumstances that were known to, or ought to have been known to, the utility at the time it made the decisions. In order for the utility to demonstrate this, it must be able provide the documentation requested by the Commission and other parties.

- (i) The Commission expects the utility to retain the project documentation until such time the project's capital expenditures have been approved by the Commission to be included in rates. Once the project's capital expenditures have been approved to be included in rates, the utility may proceed to archive the project documentation in accordance with its own policies.
- (ii) The project documentation should include, but not be limited to:
  - a. The original scope definition documents,
  - b. The initial baseline planning documents,
  - c. The design and construction documents including revisions,
  - d. The change order evaluation of options and alternatives including the reasons for selecting the preferred option, control history and documentation,

- e. All correspondence (including notes taken and Board minutes related to the project), investigations, surveys, cost estimates, bid evaluations, equipment procurement information, reports, data, background information, assessments, specifications, field reviews, testing information, quality assurance documentation, risk registers and risk register updates, business case documents and changes, official board approvals or rejections related to the project, stakeholder communications and other engineering and geoscience documents; and
- f. All revisions to any of the foregoing.



## ***British Columbia Utilities Commission***

# ***2015 Certificate of Public Convenience and Necessity Application Guideline***

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## **PURPOSE AND SCOPE OF GUIDELINES**

The purpose of these guidelines is to assist public utilities and other parties wishing to construct or operate utility facilities in preparing their applications for a Certificate of Public Convenience and Necessity (CPCN) so the review of these applications by the British Columbia Utilities Commission (Commission) can proceed as efficiently as possible. The Commission expects CPCN applications will generally be prepared in accordance with the guidelines.

Section 45(1) of the Utilities Commission Act (UCA) requires that a person must not begin the construction or operation of a public utility plant or system, or an extension of either, without first obtaining from the Commission a CPCN approving the construction or operation. Section 46(1) of the UCA requires an application for a CPCN be filed with Commission.

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The guidelines do not alter the fundamental regulatory relationship between utilities and the Commission. They provide general guidance regarding the Commission's expectations of the information that should be included in CPCN applications while providing the flexibility for an application to reflect the specific circumstances of the applicant, the size and nature of the project, and the issues that it raises. An applicant is expected to apply the guidelines in a flexible and reasonable manner. The Commission may issue further directions relating to the information to be included in specific CPCN applications and may require applicants to provide further information to supplement material in filed applications.

CPCN applications may be supported by long-term resource plans filed under section 44.1 of the UCA. These long-term resource plans may deal with significant aspects of project justification, particularly the need for the project and the assessment of the overall costs and benefits of the project and alternatives to the project. Under section 44.1(9) of the UCA, in approving a long-term resource plan, the Commission may order that a proposed utility plant or system, or an extension of either, is exempt from the requirements of section 45(1) of the UCA.

Public utilities and other project proponents are encouraged to initiate discussions with appropriate government agencies and consult with the public and potentially affected First Nations as early as possible in the planning and design phase of a project in order to gain an understanding of the issues to be addressed prior to the filing of an application.

## **DEEMED CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY**

Sections 45(2), 45(5) and 45(6) of the UCA state:

(2) For the purposes of subsection (1), a public utility that is operating a public utility plant or system on September 11, 1980 is deemed to have received a certificate of public convenience and necessity, authorizing it:

- (a) to operate the plant or system; and
- (b) subject to subsection (5), to construct and operate extensions to the plant or system.

(5) If it appears to the commission that a public utility should, before constructing or operating an extension to a utility plant or system, apply for a separate certificate of public convenience and necessity, the commission may, not later than 30 days after construction of the extension is begun, order that subsection (2) does not apply in respect of the construction or operation of the extension.

(6) A public utility must file with the commission at least once each year a statement in a form prescribed by the commission of the extensions to its facilities that it plans to construct.

In order to evaluate whether a public utility should apply for a CPCN for a specific extension to a utility plant or system and therefore whether to make an order pursuant to section 45(5), the Commission needs to be aware of planned extensions that are significant. This information is provided in the statement of planned extensions that a public utility is required to file at least once a year. The statement should be filed in a timely fashion and should identify each discrete extension to a utility plant or system that may have a material impact on customer rates or raise some other significant issue. The statement should include all extensions that the utility is likely to initiate over the period until the filing of the next statement on extensions, and should use a definition of extension that is as broad and inclusive as possible. A utility should inform the Commission in the event it plans to initiate a significant extension that was not identified in its most recent statement on extensions.

A long-term resource plan filed pursuant to section 44.1 of the UCA or a capital expenditure schedule filed pursuant to section 44.2(1)(b) may meet the requirements of section 45(6) provided it is filed prior to the start of the construction of the extensions. Also, section 45(4) provides that the Commission may, by regulation, exclude utility plant or categories of utility plant from the operation of section 45(1). Under this provision, the Commission may establish project thresholds relating to size, production capacity, type and absence of local impacts that will determine projects that would generally not require a CPCN application.

## **PROCEDURAL CONSIDERATIONS**

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The filed application is initially reviewed by the Commission for possible deficiencies and any additional information is requested through an information request which is responded to by the applicant. Once the response to the information request is received, the application is reviewed by the Commission to understand the application, identify any additional deficiencies, and make a preliminary determination as to whether a hearing is required, and if required, the nature of the proceeding. Pursuant to section 46(2), the Commission may establish an oral or written hearing and regulatory timetable if further review of the application is required.

The Commission makes a determination on disposition of the CPCN application as follows:

- (a) Grant a CPCN without further input from the applicant or other interested parties.
- (b) Require further information from the applicant.
- (c) Set down an oral or written public hearing.
- (d) Deny the application.

Approval of a CPCN application results in the Commission issuing an order to the applicant granting the CPCN. The order may include terms and conditions which the Commission believes the public convenience or necessity require.

For further information, contact:

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## APPLICATION REQUIREMENTS

An application under sections 45 and 46 of the UCA should contain the following information:

1. Applicant

- (i) Name, address and description of the nature of the applicant's business and all other persons having a direct interest in project ownership or management;
- (ii) Evidence of the financial and technical capacity of the applicant and other persons involved, if any, to undertake and operate the project;
- (iii) Name, title and address of the person with whom communication should be made respecting the application;
- (iv) Name and address of legal counsel for the applicant, if any;
- (v) Organizational chart of the project team, including the names of the Project Manager and Executive Sponsor for the project; and
- (vi) Outline of the regulatory process the applicant recommends for the Commission's review of the application, including how persons who were consulted about the project can raise outstanding application-related concerns with the Commission.

2. Project Need, Alternatives and Justification

- (i) Studies or summary statements identifying the need for the project and confirming the technical, economic and financial feasibility of the project, identifying assumptions, sources of data, and feasible alternatives considered. The applicant should identify alternatives that it deemed to be not feasible at an early screening stage, and provide the reason(s) why it did not consider them further;
- (ii) A comparison of the costs, benefits and associated risks of the project and feasible alternatives, including estimates of the value of all of the costs and benefits of each option or, where these costs and benefits are not quantifiable, identification of the cost or benefit that cannot be quantified. Cost estimates used in



the economic comparison should have, at a minimum, a Class 4<sup>6</sup> degree of accuracy as defined in the latest revision of the AACE International Recommended Practice No. 10S-90, Cost Engineering Terminology ;

- (iii) A schedule calculating the revenue requirements of the project and feasible alternatives, and the resulting impacts on customer rates;
- (iv) A schedule calculating the net present values of the incremental cost and benefit cash flows of the project and feasible alternatives, and justification of the length of the term and discount rate used for the calculation;
- (v) A schedule and supporting discussion comparing the project and feasible alternatives in terms of social and environmental factors, and the applicant's assessment regarding the overall social and environmental impact of the project relative to the overall impact of the feasible alternatives; and
- (vi) Information relating the project to the applicant's approved long-term resource plan filed pursuant to section 44.1 of the UCA, including the extent to which the project was considered in the plan, and, if applicable, a discussion explaining how the plan provides support and justification for the need for the project.

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<sup>6</sup> Class 4 estimates are generally prepared based on limited information and subsequently have fairly wide accuracy ranges. They are typically used for project screening, determination of feasibility, concept evaluation, and preliminary budget approval.

3. Consultation

First Nations Consultation

Note: Crown utilities are required to provide the information requirements set out in the British Columbia Utilities Commission 2010 First Nations Information Filing Guidelines for Crown Utilities, which replace and supersede the application requirements in this First Nations Consultation section of the CPCN Application Guidelines.

If an applicant is of the view that the application does not require consultation with First Nations, reasons supporting its conclusion should be provided to the Commission. Unless otherwise justified, the following information should be filed:

- (ix) Identification of the First Nations potentially affected by the application or filing, including the feasible project alternatives; and the information considered to identify these First Nations.

For each potentially affected First Nation, summarize the consultation to date, including:

- (x) Identification of any group, body, specific band or specific person(s) that have been consulting on behalf of the First Nation in connection with the application. Identify the specific member bands represented by any group or body;
- (xi) A chronology of meetings, other communications and actions;
- (xii) Any relevant, non-confidential written documentation regarding consultation, such as notes or minutes of meetings or phone calls, or letters received from or sent to the First Nation;
- (xiii) Identification of specific issues or concerns raised by the First Nation;
- (xiv) Description of how the specific issues or concerns raised by the First Nation were avoided, mitigated or otherwise accommodated; or explain why no further action is required to address an issue or concern;
- (xv) Copies of any documents which confirm that the First Nation is satisfied with the consultation to date;
- (xvi) Evidence that the First Nation has been notified of the filing of the application with the Commission and has been informed on how to raise outstanding concerns with the Commission; and

- (ix) The applicant's overall view as to the sufficiency of the consultation process with the First Nation to date, in the context of the decision which is being sought from the Commission.

#### Public Consultation

- (iii) Overview of the community, social and environmental setting in which the project and its feasible alternatives will be constructed and operated, and of the public who may be directly impacted by the project and its feasible alternatives;
- (vi) Description of the information and consultation programs with the public, including the organizations, agencies and individuals consulted, the information provided to these parties, and a chronology of meetings and other communications with members of the public and their representatives. This includes consultation with both the public who may be directly impacted by the project and the public that may experience impacts on their rates and service;
- (vii) Description of the issues and concerns raised during consultations, the measures taken or planned to address issues or concerns, or an explanation of why no further action is required to address an issue or concern;
- (viii) Identification of any outstanding issues or concerns; and
- (ix) Applicant's overall assessment as to the sufficiency of the public consultation process with respect to the project, in the context of the decision which is being sought from the Commission.

#### 4. Project Description

- (i) Description of the project, its purpose and cost, including engineering design, capacity, location options and preference, safety and reliability considerations, and all ancillary or related facilities that are proposed to be constructed, owned or operated by the applicant;
- (iv) Outline of the anticipated construction and operation schedule, including critical dates of key events, a chart of major activities showing the critical path (e.g., GANTT<sup>7</sup> chart), and the timing of approvals required from other agencies to ensure continued economic viability;

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<sup>7</sup> GANTT chart is a bar chart which illustrates a project schedule.

- (iii) Description of any new or expanded public works, undertakings or infrastructure that will result from or be required by the project, and an estimate of the costs and necessary completion dates;
- (vi) Human capital resources required to undertake the project;
- (vii) Risk analysis identifying all significant risks to successful completion of the project, including an assessment of the probability of each risk occurring, the consequences and the cost to mitigate the risk, and any contingency amount allocated to each risk;
  - a. Without limiting the generality of the foregoing, the risk analysis should be applied to at least the following areas: regulatory, government policy, permitting, technical (design, construction, and operation), procurement and commercial, financial (including previously unassigned costs), load forecast uncertainty, fuel cost and availability, resources, design and construction, schedule, public safety, worker safety, environmental, operations, previously unassigned cost and first nations risks.
  - b. Each individual risk should be evaluated using a 5x5 risk assessment matrix<sup>8</sup>.
  - c. A risk register should be provided that includes the following columns: the risk number, the risk description, the probability risk level, impact risk level, overall risk level, the proposed risk mitigation or control, the estimated financial risk and the estimated schedule risk.
- (vi) Identification and preliminary assessment of potential effects of the project on the physical, biological and social environments or on potentially affected First Nations and the public, proposals for reducing potentially negative effects and maximizing benefits from positive effects, and the cost to the project of implementing the proposals;
- (vii) Identification of the customers to be served by the project and, where the project would expand the area served by the applicant, a geographical description of the expanded service area;

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<sup>8</sup> AACE International 62R-11: Risk Assessment Identification and Quantitative Analysis

- (ix) List of all required federal, provincial and municipal approvals, permits, licenses or authorizations; and
- (ix) Summary of the material conditions that are anticipated in federal, provincial and municipal approvals and confirmation that the costs of complying with these conditions are included in the cost estimate in the application.

5. Project Cost Estimate

- (i) Project cost estimate, including the level of effort used to develop the cost estimate (in dollars, percentage of total project cost and hours), a description of the method of estimating used, the percentage of project definition complete at the time of the estimate (in dollars and hours), and identification and justification of all assumptions, exclusions, inflation and discount factors, and sources of benchmarks and other data;
- (iii) The cost estimate should be stated in nominal as well as real dollars, identify an expected accuracy range and have, at a minimum, a Class 3<sup>9</sup> degree of accuracy as defined in the latest revision of AACE International Recommended Practice No. 10S-90, Cost Engineering Terminology;
- (iii) The cost estimate should provide:
  - (i) Any funds spent in prior years attributable to the project;
  - (j) A list of all project direct and indirect costs using both a project and contract work breakdown structures (having a minimum of three WBS levels ) by year until completion;
  - (k) Escalation (including inflation) amounts;
  - (l) Contingency amount;
  - (m) Interest during construction or allowance for funds used during construction and corporate overhead;
  - (n) Identification and explanation of any management or other reserves;
  - (o) Any legal, regulatory and other non-project costs, including costs associated with First Nations and public consultation and accommodation.

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<sup>9</sup> Class 3 estimates are typically prepared to support full project funding requests, and become the first project phase “control estimate” against which all actual costs and resources will be monitored for variations to the budget. They are used as the project budget until replaced by more detailed estimates.

(p) The amounts and sources of any contributions in aid of construction, grants or other funding or credits related to the project .

- (iv) Identification of any cost items not included in the estimate, including transportation costs, sunk costs and the reason for the exclusion; and
- (v) If a Monte Carlo<sup>10</sup> analysis was used to model and back-up the amount of project contingency included in the cost estimate, the base estimate, P50 expected value estimate, P90 estimate, histogram and cumulative curves, and tornado graphs.

6. Provincial Government Energy Objectives and Policy Considerations

- (i) Discuss how the project is consistent with and will advance the government's energy objectives as set out in the UCA. If the nature of the project precludes a direct link to the energy objectives, the application should discuss how the project does not hamper other projects or initiatives undertaken by the applicant or others, from advancing these energy objectives;
- (ii) Discuss how the project relates to and supports the Province's electricity self-sufficiency goals as set out in 64.01 of the UCA or as set out in Special Direction No. 10 to the Commission, if applicable; and
- (iii) Where the applicant is BC Hydro or a prescribed public utility, discuss how the project relates to and supports the Province's clean and renewable electricity goal as set out in 64.02 of the UCA, if applicable.

7. New Service Areas

- (i) Telephone number or other means by which customers will be able to contact the utility, particularly regarding an emergency;
- (ii) Description of facilities and trained personnel that will provide emergency response;
- (iii) Tariff including terms and conditions of service, rate schedules and initial rates the applicant proposes for customers in the new service area; and
- (iv) Information confirming the proposed rates will be competitive with other service options that are available to customers in the new service area.

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<sup>10</sup> Monte Carlo analysis involves using random numbers and probability to solve problems.

7. Document Retention

In the event that the Commission conducts a review of capital expenditures using an appropriate test, the onus is on the utility to show that its decisions were reasonable under the circumstances that were known to, or ought to have been known to, the utility at the time it made the decisions. In order for the utility to demonstrate this, it must be able to provide the documentation requested by the Commission and other parties.

- (i) The Commission expects the utility to retain the project documentation until such time the project's capital expenditures have been approved by the Commission to be included in rates. Once the project's capital expenditures have been approved to be included in rates, the utility may proceed to archive the project documentation in accordance with its own policies.
- (ii) The project documentation should include, but not be limited to:
  - a. The original scope definition documents,
  - b. The initial baseline planning documents,
  - c. The design and construction documents including revisions,
  - d. The change order evaluation of options and alternatives including the reasons for selecting the preferred option, control history and documentation,
  - e. All correspondence (including notes taken and Board minutes related to the project), investigations, surveys, cost estimates, bid evaluations, equipment procurement information, reports, data, background information, assessments, specifications, field reviews, testing information, quality assurance documentation, risk registers and risk register updates, business case documents and changes, official board approvals or rejections related to the project, stakeholder communications and other engineering and geoscience documents; and
  - f. All revisions to any of the foregoing.



## ***British Columbia Utilities Commission***

# ***2015 Certificate of Public Convenience and Necessity Application Guideline***



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## **PURPOSE AND SCOPE OF GUIDELINES**

The purpose of these guidelines is to assist public utilities and other parties wishing to construct or operate utility facilities in preparing their applications for a Certificate of Public Convenience and Necessity (CPCN) so the review of these applications by the British Columbia Utilities Commission (Commission) can proceed as efficiently as possible. The Commission expects CPCN applications will generally be prepared in accordance with the guidelines.

Section 45(1) of the Utilities Commission Act (UCA) requires that a person must not begin the construction or operation of a public utility plant or system, or an extension of either, without first obtaining from the Commission a CPCN approving the construction or operation. Section 46(1) of the UCA requires an application for a CPCN be filed with Commission.

A copy of the UCA can be found at [http://www.qp.gov.bc.ca/statreg/stat/U/96473\\_01.htm](http://www.qp.gov.bc.ca/statreg/stat/U/96473_01.htm)

The guidelines do not alter the fundamental regulatory relationship between utilities and the Commission. They provide general guidance regarding the Commission's expectations of the information that should be included in CPCN applications while providing the flexibility for an application to reflect the specific circumstances of the applicant, the size and nature of the project, and the issues that it raises. An applicant is expected to apply the guidelines in a flexible and reasonable manner. The Commission may issue further directions relating to the information to be included in specific CPCN applications and may require applicants to provide further information to supplement material in filed applications.

CPCN applications may be supported by long-term resource plans filed under section 44.1 of the UCA. These long-term resource plans may deal with significant aspects of project justification, particularly the need for the project and the assessment of the overall costs and benefits of the project and alternatives to the project. Under section 44.1(9) of the UCA, in approving a long-term resource plan, the Commission may order that a proposed utility plant or system, or an extension of either, is exempt from the requirements of section 45(1) of the UCA.

Public utilities and other project proponents are encouraged to initiate discussions with appropriate government agencies and consult with the public and potentially affected First Nations as early as possible in the planning and design phase of a project in order to gain an understanding of the issues to be addressed prior to the filing of an application.

## **DEEMED CERTIFICATES OF PUBLIC CONVENIENCE AND NECESSITY**

Sections 45(2), 45(5) and 45(6) of the UCA state:

(2) For the purposes of subsection (1), a public utility that is operating a public utility plant or system on September 11, 1980 is deemed to have received a certificate of public convenience and necessity, authorizing it:

- (a) to operate the plant or system; and
- (b) subject to subsection (5), to construct and operate extensions to the plant or system.

(5) If it appears to the commission that a public utility should, before constructing or operating an extension to a utility plant or system, apply for a separate certificate of public convenience and necessity, the commission may, not later than 30 days after construction of the extension is begun, order that subsection (2) does not apply in respect of the construction or operation of the extension.

(6) A public utility must file with the commission at least once each year a statement in a form prescribed by the commission of the extensions to its facilities that it plans to construct.

In order to evaluate whether a public utility should apply for a CPCN for a specific extension to a utility plant or system and therefore whether to make an order pursuant to section 45(5), the Commission needs to be aware of planned extensions that are significant. This information is provided in the statement of planned extensions that a public utility is required to file at least once a year. The statement should be filed in a timely fashion and should identify each discrete extension to a utility plant or system that may have a material impact on customer rates or raise some other significant issue. The statement should include all extensions that the utility is likely to initiate over the period until the filing of the next statement on extensions, and should use a definition of extension that is as broad and inclusive as possible. A utility should inform the Commission in the event it plans to initiate a significant extension that was not identified in its most recent statement on extensions.

A long-term resource plan filed pursuant to section 44.1 of the UCA or a capital expenditures schedule filed pursuant to section 44.2(1)(b) may meet the requirements of section 45(6) provided it is filed prior to the start of the construction of the extensions. Also, section 45(4) provides that the Commission may, by regulation, exclude utility plant or categories of utility plant from the operation of section 45(1). Under this provision, the Commission may establish project thresholds relating to size, production capacity, type and absence of local impacts that will determine projects that would generally not require a CPCN application.

## **PROCEDURAL CONSIDERATIONS**

An application for a CPCN pursuant to sections 45 and 46 of the UCA will be made to the Secretary of the Commission. Applications are to be filed in accordance with the Commission's document filing protocols. A text recognizable and

bookmarked electronic copy with working spreadsheets and 12 hard copies of the completed and signed CPCN application should be submitted. Applications are typically made public, except where special circumstances require confidentiality.

The filed application is initially reviewed by the Commission for possible deficiencies and any additional information is requested through an information request which is responded to by the applicant. Once the response to the information request is received, the application is reviewed by the Commission to understand the application, identify any additional deficiencies, and make a preliminary determination as to whether a hearing is required, and if required, the nature of the proceeding. Pursuant to section 46(2), the Commission may establish an oral or written hearing and regulatory timetable if further review of the application is required.

The Commission makes a determination on disposition of the CPCN application as follows:

- (a) Grant a CPCN without further input from the applicant or other interested parties.
- (b) Require further information from the applicant.
- (c) Set down an oral or written public hearing.
- (d) Deny the application.

Approval of a CPCN application results in the Commission issuing an order to the applicant granting the CPCN. The order may include terms and conditions which the Commission believes the public convenience or necessity require.

For further information, contact:

Commission Secretary  
British Columbia Utilities Commission  
Sixth Floor, 900 Howe Street  
Vancouver, B.C.  
V6Z 2N3

Telephone: (604) 660-4700  
Toll Free: 1-800-663-1385  
Facsimile: (604) 660-1102  
[Commission.Secretary@bcuc.com](mailto:Commission.Secretary@bcuc.com)  
web site: <http://www.bcuc.com>

## APPLICATION REQUIREMENTS

An application under sections 45 and 46 of the UCA should contain the following information:

1. Applicant

- (i) Name, address and description of the nature of the applicant's business and all other persons having a direct interest in project ownership or management;
- (ii) Evidence of the financial and technical capacity of the applicant and other persons involved, if any, to undertake and operate the project;
- (iii) Name, title and address of the person with whom communication should be made respecting the application;
- (iv) Name and address of legal counsel for the applicant, if any;
- (v) Organizational chart of the project team, including the names of the Project Manager and Executive Sponsor for the project; and
- (vi) Outline of the regulatory process the applicant recommends for the Commission's review of the application, including how persons who were consulted about the project can raise outstanding application-related concerns with the Commission.

2. Project Need, Alternatives and Justification

- (i) Studies or summary statements identifying the need for the project and confirming the technical, economic and financial feasibility of the project, identifying assumptions, sources of data, and feasible alternatives considered. The applicant should identify alternatives that it deemed to be not feasible at an early screening stage, and provide the reason(s) why it did not consider them further;
- (ii) A comparison of the costs, benefits and associated risks of the project and feasible alternatives, including estimates of the value of all of the costs and benefits of each option or, where these costs and benefits are not quantifiable, identification of the cost or benefit that cannot be quantified. Cost estimates used in

the economic comparison should have, at a minimum, a Class 4<sup>11</sup> degree of accuracy as defined in the latest revision of the AACE International Recommended Practice No. 10S-90, Cost Engineering Terminology ;

- (iii) A schedule calculating the revenue requirements of the project and feasible alternatives, and the resulting impacts on customer rates;
- (iv) A schedule calculating the net present values of the incremental cost and benefit cash flows of the project and feasible alternatives, and justification of the length of the term and discount rate used for the calculation;
- (v) A schedule and supporting discussion comparing the project and feasible alternatives in terms of social and environmental factors, and the applicant's assessment regarding the overall social and environmental impact of the project relative to the overall impact of the feasible alternatives; and
- (vi) Information relating the project to the applicant's approved long-term resource plan filed pursuant to section 44.1 of the UCA, including the extent to which the project was considered in the plan, and, if applicable, a discussion explaining how the plan provides support and justification for the need for the project.

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<sup>11</sup> Class 4 estimates are generally prepared based on limited information and subsequently have fairly wide accuracy ranges. They are typically used for project screening, determination of feasibility, concept evaluation, and preliminary budget approval.

3. Consultation

First Nations Consultation

**Note:** Crown utilities are required to provide the information requirements set out in the British Columbia Utilities Commission 2010 First Nations Information Filing Guidelines for Crown Utilities, which replace and supersede the application requirements in this First Nations Consultation section of the CPCN Application Guidelines.

If an applicant is of the view that the application does not require consultation with First Nations, reasons supporting its conclusion should be provided to the Commission. Unless otherwise justified, the following information should be filed:

- (xvii) Identification of the First Nations potentially affected by the application or filing, including the feasible project alternatives; and the information considered to identify these First Nations.

For each potentially affected First Nation, summarize the consultation to date, including:

- (xviii) Identification of any group, body, specific band or specific person(s) that have been consulting on behalf of the First Nation in connection with the application. Identify the specific member bands represented by any group or body;
- (xix) A chronology of meetings, other communications and actions;
- (xx) Any relevant, non-confidential written documentation regarding consultation, such as notes or minutes of meetings or phone calls, or letters received from or sent to the First Nation;
- (xxi) Identification of specific issues or concerns raised by the First Nation;
- (xxii) Description of how the specific issues or concerns raised by the First Nation were avoided, mitigated or otherwise accommodated; or explain why no further action is required to address an issue or concern;
- (xxiii) Copies of any documents which confirm that the First Nation is satisfied with the consultation to date;
- (xxiv) Evidence that the First Nation has been notified of the filing of the application with the Commission and has been informed on how to raise outstanding concerns with the Commission; and

- (ix) The applicant's overall view as to the sufficiency of the consultation process with the First Nation to date, in the context of the decision which is being sought from the Commission.

#### Public Consultation

- (v) Overview of the community, social and environmental setting in which the project and its feasible alternatives will be constructed and operated, and of the public who may be directly impacted by the project and its feasible alternatives;
- (x) Description of the information and consultation programs with the public, including the organizations, agencies and individuals consulted, the information provided to these parties, and a chronology of meetings and other communications with members of the public and their representatives. This includes consultation with both the public who may be directly impacted by the project and the public that may experience impacts on their rates and service;
- (xi) Description of the issues and concerns raised during consultations, the measures taken or planned to address issues or concerns, or an explanation of why no further action is required to address an issue or concern;
- (xii) Identification of any outstanding issues or concerns; and
- (xiii) Applicant's overall assessment as to the sufficiency of the public consultation process with respect to the project, in the context of the decision which is being sought from the Commission.

#### 4. Project Description

- (i) Description of the project, its purpose and cost, including engineering design, capacity, location options and preference, safety and reliability considerations, and all ancillary or related facilities that are proposed to be constructed, owned or operated by the applicant;
- (vi) Outline of the anticipated construction and operation schedule, including critical dates of key events, a chart of major activities showing the critical path (e.g., GANTT<sup>12</sup> chart), and the timing of approvals required from other agencies to ensure continued economic viability;

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<sup>12</sup> GANTT chart is a bar chart which illustrates a project schedule.



- (iii) Description of any new or expanded public works, undertakings or infrastructure that will result from or be required by the project, and an estimate of the costs and necessary completion dates;
- (viii) Human capital resources required to undertake the project;
- (ix) Risk analysis identifying all significant risks to successful completion of the project, including an assessment of the probability of each risk occurring, the consequences and the cost to mitigate the risk, and any contingency amount allocated to each risk;
  - a. Without limiting the generality of the foregoing, the risk analysis should be applied to at least the following areas: regulatory, government policy, permitting, technical (design, construction, and operation), procurement and commercial, financial (including previously unassigned costs), load forecast uncertainty, fuel cost and availability, resources, design and construction, schedule, public safety, worker safety, environmental, operations, previously unassigned cost and first nations risks.
  - b. Each individual risk should be evaluated using a 5x5 risk assessment matrix<sup>13</sup>.
  - c. A risk register should be provided that includes the following columns: the risk number, the risk description, the probability risk level, impact risk level, overall risk level, the proposed risk mitigation or control, the estimated financial risk and the estimated schedule risk.
- (vi) Identification and preliminary assessment of potential effects of the project on the physical, biological and social environments or on potentially affected First Nations and the public, proposals for reducing potentially negative effects and maximizing benefits from positive effects, and the cost to the project of implementing the proposals;
- (vii) Identification of the customers to be served by the project and, where the project would expand the area served by the applicant, a geographical description of the expanded service area;

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<sup>13</sup> AACE International 62R-11: Risk Assessment Identification and Quantitative Analysis

- (x) List of all required federal, provincial and municipal approvals, permits, licenses or authorizations; and
- (ix) Summary of the material conditions that are anticipated in federal, provincial and municipal approvals and confirmation that the costs of complying with these conditions are included in the cost estimate in the application.

5. Project Cost Estimate

- (i) Project cost estimate, including the level of effort used to develop the cost estimate (in dollars, percentage of total project cost and hours), a description of the method of estimating used, the percentage of project definition complete at the time of the estimate (in dollars and hours), and identification and justification of all assumptions, exclusions, inflation and discount factors, and sources of benchmarks and other data;
- (iv) The cost estimate should be stated in nominal as well as real dollars, identify an expected accuracy range and have, at a minimum, a Class 3<sup>14</sup> degree of accuracy as defined in the latest revision of AACE International Recommended Practice No. 10S-90, Cost Engineering Terminology;
- (iii) The cost estimate should provide:
  - (q) Any funds spent in prior years attributable to the project;
  - (r) A list of all project direct and indirect costs using both a project and contract work breakdown structures (having a minimum of three WBS levels ) by year until completion;
  - (s) Escalation (including inflation) amounts;
  - (t) Contingency amount;
  - (u) Interest during construction or allowance for funds used during construction and corporate overhead;
  - (v) Identification and explanation of any management or other reserves;
  - (w) Any legal, regulatory and other non-project costs, including costs associated with First Nations and public consultation and accommodation.

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<sup>14</sup> Class 3 estimates are typically prepared to support full project funding requests, and become the first project phase “control estimate” against which all actual costs and resources will be monitored for variations to the budget. They are used as the project budget until replaced by more detailed estimates.

- (x) The amounts and sources of any contributions in aid of construction, grants or other funding or credits related to the project .
- (iv) Identification of any cost items not included in the estimate, including transportation costs, sunk costs and the reason for the exclusion; and
- (v) If a Monte Carlo<sup>15</sup> analysis was used to model and back-up the amount of project contingency included in the cost estimate, the base estimate, P50 expected value estimate, P90 estimate, histogram and cumulative curves, and tornado graphs.

6. Provincial Government Energy Objectives and Policy Considerations

- (i) Discuss how the project is consistent with and will advance the government's energy objectives as set out in the UCA. If the nature of the project precludes a direct link to the energy objectives, the application should discuss how the project does not hamper other projects or initiatives undertaken by the applicant or others, from advancing these energy objectives;
- (ii) Discuss how the project relates to and supports the Province's electricity self-sufficiency goals as set out in 64.01 of the UCA or as set out in Special Direction No. 10 to the Commission, if applicable; and
- (iii) Where the applicant is BC Hydro or a prescribed public utility, discuss how the project relates to and supports the Province's clean and renewable electricity goal as set out in 64.02 of the UCA, if applicable.

7. New Service Areas

- (i) Telephone number or other means by which customers will be able to contact the utility, particularly regarding an emergency;
- (ii) Description of facilities and trained personnel that will provide emergency response;
- (iii) Tariff including terms and conditions of service, rate schedules and initial rates the applicant proposes for customers in the new service area; and

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<sup>15</sup> Monte Carlo analysis involves using random numbers and probability to solve problems.

- (iv) Information confirming the proposed rates will be competitive with other service options that are available to customers in the new service area.

7. Document Retention

In the event that the Commission conducts a review of capital expenditures using an appropriate test, the onus is on the utility to show that its decisions were reasonable under the circumstances that were known to, or ought to have been known to, the utility at the time it made the decisions. In order for the utility to demonstrate this, it must be able to provide the documentation requested by the Commission and other parties.

- (i) The Commission expects the utility to retain the project documentation until such time the project's capital expenditures have been approved by the Commission to be included in rates. Once the project's capital expenditures have been approved to be included in rates, the utility may proceed to archive the project documentation in accordance with its own policies.
- (ii) The project documentation should include, but not be limited to:
  - a. The original scope definition documents,
  - b. The initial baseline planning documents,
  - c. The design and construction documents including revisions,
  - d. The change order evaluation of options and alternatives including the reasons for selecting the preferred option, control history and documentation,
  - e. All correspondence (including notes taken and Board minutes related to the project), investigations, surveys, cost estimates, bid evaluations, equipment procurement information, reports, data, background information, assessments, specifications, field reviews, testing information, quality assurance documentation, risk registers and risk register updates, business case documents and changes, official board approvals or rejections related to the project, stakeholder communications and other engineering and geoscience documents; and
  - f. All revisions to any of the foregoing.