



**ORDER NUMBER**  
**G-296-23**

IN THE MATTER OF  
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Hydro and Power Authority  
Request to Amend Major Capital Project Filing Guidelines

**BEFORE:**

A. K. Fung, KC, Panel Chair  
A. C. Dennier, Commissioner  
W. M. Everett, KC, Commissioner

on October 31, 2023

**ORDER**

**WHEREAS:**

- A. On March 17, 2023, British Columbia Hydro and Power Authority (BC Hydro) filed an application with the British Columbia Utilities Commission (BCUC) seeking to amend the major capital project filing guidelines (Application);
- B. On December 2, 2019, by Order G-313-19, the BCUC approved the 2018 Major Capital Project Filing Guidelines (2018 Guidelines), including BC Hydro's commitment to submit applications to the BCUC for major capital projects with authorized cost estimates that exceed the following thresholds:
  - i. \$100 million for Power System projects;
  - ii. \$50 million for Buildings projects; and
  - iii. \$20 million for Information Technology projects.
- C. In the Application, BC Hydro seeks approval of:
  - i. An increase to the major capital filing thresholds, escalated annually by their respective price indices for the previously completed calendar year, starting from fiscal 2019; and
  - ii. BCUC confirmation that a Certificate of Public Convenience and Necessity is not required for Customer IPID 901943 Project.
- D. By Order G-113-23, dated May 9, 2023, the BCUC established a regulatory timetable for review of the Application. By Orders G-118-23, dated May 17, 2023, G-132-23, dated June 7, 2023, and G-184-23, dated July 13, 2023, respectively, the BCUC amended the regulatory timetable;
- E. On May 25, 2023, BC Hydro filed its responses to the BCUC request for further information, including amending the approvals sought as follows:

- a. Amending the escalation price index for Power System projects to the non-residential building construction price index, from the BC consumer price index;
  - b. Notifying the BCUC that BC Hydro will file a section 44.2 application for the Mica Units 1 to 4 Circuit Breakers and Iso Phase Bus Replacement Project;
  - c. An update to the 2018 Guidelines and to the applicable directives for the John Hart Dam Seismic Upgrade Project, Bridge River 1 Units 1 to 4 Generator Replacement Project, Peace to Kelly Lake Stations Sustainment Project and Mainwaring Substation Upgrade Project to move to annual progress reports, from semi-annual progress reports, in instances where Material Change Reports are a separate reporting requirement; and
  - d. Adjustments to the timing of filing Final Reports for the John Hart Dam Seismic Upgrade Project, Bridge River 1 Units 1 to 4 Generator Replacement Project, Peace to Kelly Lake Stations Sustainment Project and Mainwaring Substation Upgrade Project so that the Final Reports are due three months after review by BC Hydro's Board of Directors rather than three months after substantial completion of the project, consistent with the requirements in the 2018 Guidelines and to seek an amendment to the 2018 Guidelines to clarify that the BC Hydro Board of Directors reviews, rather than approves, the Final Reports.
- F. By letter dated July 18, 2023, BC Hydro requested that the BCUC hold in abeyance BC Hydro's request for BCUC approval in relation to the Customer IPID 901943 Project. By letter dated July 25, 2023, the BCUC granted BC Hydro's abeyance request;
- G. By letter dated August 24, 2023, BC Hydro sought an extension to the regulatory timetable for the filing of its responses to Information Request (IR) No. 2, and subsequent extension to submissions on further process. By Order G-229-23, dated August 25, 2023, the BCUC granted BC Hydro's extension request;
- H. In its response to BCUC and Intervener IR No. 1, dated September 22, 2023, BC Hydro requested that its previous submission to increase the capital project threshold be placed in abeyance pending a further filing by BC Hydro in February, 2024 following the conclusion of its 10-year capital planning process. BC Hydro also requested an amendment to its approvals sought to modify the directives to project reporting requirements for the Energy Management System project;
- I. On September 28, 2023, BC Hydro and interveners filed submissions on further process; and
- J. The BCUC has reviewed the submissions and determines a further regulatory timetable is warranted.

**NOW THEREFORE**, for the reasons attached as Appendix B to this order, the BCUC orders that a further regulatory timetable is established as set out in Appendix A to this order.

**DATED** at the City of Vancouver, in the Province of British Columbia, this 31<sup>st</sup> day of October 2023.

BY ORDER

*Original signed by:*

A.K. Fung, KC  
Commissioner

Attachment

British Columbia Hydro and Power Authority  
Request to Amend Major Capital Project Filing Guidelines

**REGULATORY TIMETABLE**

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Action		Date (2023)
Streamlined Review Process (SRP) on requested changes to project reporting in the 2018 Capital Filing Guidelines, including oral argument, time permitting*		Thursday, November 23
BC Hydro final argument on project reporting		Monday, December 4
Intervener final argument on project reporting		Monday, December 11
BC Hydro reply argument on project reporting		Monday, December 18
Action		Date (2024)
BC Hydro submission on Updated Capital Plan and further proposed amendments to 2018 Guidelines		Friday, February 23

\* To be held in-person, commencing at 8:30 am. Active participation in the SRP, which will be transcribed, will be limited to BC Hydro, the BCUC and registered interveners; however, any party may access the live broadcast. Further details regarding the SRP will be issued in due course.

British Columbia Hydro and Power Authority  
Request to Amend Major Capital Project Filing Guidelines

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REASONS FOR DECISION

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**1.0 Background and Regulatory Process**

On December 2, 2019, by Order G-313-19, the BCUC approved the 2018 Major Capital Project Filing Guidelines (2018 Guidelines), including BC Hydro's commitment to submit applications to the BCUC for major capital projects with authorized cost estimates that exceed certain monetary thresholds and project specific compliance reporting requirements.

On March 17, 2023, BC Hydro filed its application seeking BCUC approval of certain amendments to the 2018 Guidelines (Application).<sup>1</sup>

On May 25, 2023, BC Hydro amended the Application to, in part, seek an update to the 2018 Guidelines and an update to the applicable directives for certain projects to move to annual progress reports in instances where Material Change Reports are a separate reporting requirement. Those projects include:<sup>2</sup>

- John Hart Dam Seismic Upgrade Project ([G-107-23](#));
- Bridge River 1 Units 1 to 4 Generator Replacement Project ([C-6-22](#) and [G-310-22](#));
- Peace to Kelly Lake Stations Sustainment Project ([G-57-23](#) and [G-84-23](#)); and
- Mainwaring Substation Upgrade Project ([C-4-22](#) and [G-266-22](#)).

On September 21, 2023, BC Hydro made a submission on further process to the following effect:<sup>3</sup>

- That the BCUC place BC Hydro's request to amend the expenditure thresholds for filing a major project application in abeyance, pending a further submission from BC Hydro on or before February 23, 2024;
- That parties proceed to final submissions on BC Hydro's requested amendments to Orders C-4-22, C-6-22, G-39-23, G-57-23 and G-107-23, and certain requested amendments to the 2018 Guidelines; and
- An amendment to the approvals sought to move from semi-annual to annual progress reports for the Energy Management System Upgrade Project (G-39-23).<sup>4</sup>

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<sup>1</sup> Exhibit B-1.

<sup>2</sup> Exhibit B-1-1, p. 2, pp. 4-6.

<sup>3</sup> Exhibit B-9, cover letter.

<sup>4</sup> Exhibit B-1-1-1, cover letter, p. 4.

## 2.0 Approvals Sought

### 2.1 Request to Amend Thresholds

The 2018 Guidelines set project cost thresholds at an amount above which BC Hydro would submit a major project filing to the BCUC, as follows:

- i. \$100 million for Power System projects;
- ii. \$50 million for Buildings projects; and
- iii. \$20 million for Information Technology projects.

In the Application, BC Hydro seeks approval of an increase to the major capital filing thresholds, escalated annually by their respective price indices for the previously completed calendar year, starting from fiscal 2019.

On May 25, 2023, BC Hydro filed its responses to the BCUC request for further information, including amending the escalation price index for Power System projects to the non-residential building construction price index, from the BC consumer price index.

BC Hydro submits the BCUC should place BC Hydro's request to amend the expenditure thresholds for filing a major project application in abeyance, pending a further submission from BC Hydro on or before February 23, 2024. In support of its request for abeyance regarding the expenditure thresholds, BC Hydro explains it is currently updating its 10-year capital plan which it expects to materially impact the major project filing thresholds and the number of anticipated major project applications.<sup>5</sup>

BC Hydro states that, in the meantime, it will follow the existing 2018 Guidelines for any extension projects and will advise the BCUC of any non-extension projects for which it intends to depart from the 2018 Guidelines. BC Hydro continues to plan to depart from the 2018 Guidelines for the following projects:<sup>6</sup>

- North Vancouver Field Facility Redevelopment Project;
- Campbell River II Field Facility Redevelopment Project;
- Chilliwack Field Facility Redevelopment Project; and
- Bridge River 1 – Strip and Recoat Penstocks 1-4 Project.

### *Positions of the Parties*

The Commercial Energy Consumers Association of British Columbia (the CEC) submits it has no issue with BC Hydro's request to put in abeyance BC Hydro's request to amend the expenditure thresholds pertaining to major capital project filings. The CEC further submits it has no concerns with BC Hydro's proposed departure from the 2018 Guidelines for the four projects listed above.<sup>7</sup>

BC Old Age Pensioners' Organization et al. (BCOAPO) submits it supports BC Hydro's proposal to place BC Hydro's request to amend expenditure thresholds for Major Project applications into abeyance.<sup>8</sup>

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<sup>5</sup> Exhibit B-9, cover letter, p. 2.

<sup>6</sup> Ibid, cover letter, p. 3.

<sup>7</sup> Exhibit C5-3, p. 2.

<sup>8</sup> Exhibit C2-3, p. 1.

Residential Consumer Intervener Association (RCIA) submits BC Hydro's request to delay amending expenditures thresholds based on the forthcoming 10-year capital plan is not justified for the following reasons:<sup>9</sup>

- An update to the 10-year capital plan will update the volume and type of anticipated major project applications but the evidentiary principles underlying the evidence on the record will remain unchanged;
- The thresholds at which a capital investment becomes material investments warranting additional regulatory oversight is dependent on the inflation-adjusted value of money, not the volume of projects BC Hydro is planning;
- RCIA notes expenditure thresholds would not be reduced if BC Hydro's volume of capital projects were reduced, therefore thresholds should not be increased if volume increases; and
- The evidentiary record is sufficient without an update to the 10-year capital plan because it will not introduce any new probative principles into evidence.

### *Panel Determination*

The Panel accepts BC Hydro's request to place in abeyance its request to amend the major capital project filing thresholds, pending receipt of BC Hydro's submission following its 10-year capital planning process on or before February 23, 2024.

The Panel notes RCIA's objection to this request but considers the consequence of proceeding to final argument and making determinations on this request, just to have BC Hydro submit yet another application to vary the threshold in early 2024 as being regulatorily inefficient. The Panel finds placing this request in abeyance pending further information from BC Hydro strikes an appropriate balance between regulatory efficiency and the need for timely decision-making on the remainder of this Application.

Further, the Panel notes BC Hydro's intention to follow the 2018 Guidelines for extension projects absent approved amendments to the thresholds.

## **2.2 Request to Vary Project Reporting**

### **2.2.1 Project Progress Reporting Frequency**

BC Hydro requests a variance in the frequency of project progress reporting, from semi-annually to annually. BC Hydro requests this change apply to the 2018 Guidelines and to orders for John Hart, Bridge River 1, Peace to Kelly Lake, Mainwaring and EMS Upgrade projects. Where applicable, BC Hydro has requested that these progress reports be due within 45 days of the end of each annual period.

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<sup>9</sup> Exhibit C3-4, p. 1.

As an example of the scope required to be detailed in semi-annual project progress reports, Appendix A of order C-6-22 details the requirements for reporting for the BR1 Units 1-4 Generators Project as follows:<sup>10</sup>

Each report is required to detail:

- Actual costs incurred to date compared to the BR1 Project cost breakdown table estimate provided in Table 5-3 of the Application, highlighting variances with an explanation of significant variances;
- Updated forecast of costs, highlighting the reasons for significant changes in Project costs anticipated to be incurred; and
- The status of identified risks noted in Chapter 7 of the Application, highlighting the status of identified risks, changes in and additions to risks, the options available to address the risks, the actions that BC Hydro is taking to deal with the risks and the likely impact on the Project's schedule and cost.

BCUC Staff submit Exhibits A2-1 and A2-2 of the Bridge River 1 Units 1-4 Generators Project Progress Report No. 1 and No. 2, respectively.

BC Hydro states "The first semi-annual progress report is more effort intensive than successive reports. A greater level of effort and time is required to develop the structure and content and project team specific processes to support these submissions. Successive filings then benefit from this experience."<sup>11</sup> BC Hydro submits that semi-annual progress reports take two to three months to prepare and involve 20 to 30 people, totalling 350 to 500 hours of work at a cost of \$42,000 to \$60,000. BC Hydro describes the process for preparing a progress report for the BCUC that includes four levels of iterative review including reviews by the Chief Regulatory Officer, Executive Vice President of CIPD, and Executive Vice President of Integrated Planning.<sup>12</sup>

BC Hydro states it is making changes to the progress report template for power system projects for BCUC reporting. BC Hydro provides the following outline and description of each section of the template under development:<sup>13</sup>

- Project Overview: A brief overview of the project's objectives and brief summary of the BCUC's directives for progress reporting;
- Project Summary Update and Status: Update on significant progress on project activities and overall project status;
- Plans for Next Reporting Period: Highlights of tasks and deliverables to be advanced before the end of the next reporting period;
- Project Schedule and Project Schedule Variance Explanation: Table comparing project schedule as at the end of the reporting period and project schedule included in the application or evidentiary update. Changes to project schedule and explanations for any changes;
- Project Cost and Explanation of Significant Variances: Table comparing the Expected and Authorized Cost and the cost breakdown included in an application or evidentiary

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<sup>10</sup> Appendix A, order C-6-22.

<sup>11</sup> BC Hydro Mainwaring Substation Upgrade Project Extension Request to File Semi-Annual Progress Report No. 1, August 18, 2022.

<sup>12</sup> Exhibit B-9, BCUC IR 1.4.4, p. 2.

<sup>13</sup> Exhibit B-10, CEC IR 1.5.2.

update to the cost breakdown as at the end of the reporting period. For every line item in the cost table, an explanation of significant variances defined as the greater of 1% of the Authorized Cost (rounded to the nearest million) as presented in the application or evidentiary update or \$1 million will be provided;

- Summary of Individual Contracts Exceeding \$5.0 million: A table showing any single contract with a contract value greater than \$5 million and any changes to the contract value over time;
- Project Risks and Update on Risk and Risk Treatment: An update on project risks, risk status, and risk treatment as at the end of the reporting period;
- Appendix A – Record of Material Changes Filed, as needed: A listing of all material changes and the date the Material Change Report was filed; and
- Appendix B – Site Photographs, as available: Pictures of the project's progress.

BC Hydro states it prepares internal Power System Projects Quarterly Reports for projects with forecast cost of \$75 million or greater.<sup>14</sup>

### **2.2.2 Material Change Reports**

In Orders C-4-22, C-6-22, G-57-32 and G-107-23, the BCUC directed BC Hydro to file a Material Change Report in the event of any of the following changes:

- There is a schedule delay of greater than six months compared to the schedule provided in schedule summary table of the application;
- The total Project cost exceeds 10% of the estimated Project cost provided in project cost summary table of the application; or
- There is a change to the Project scope provided in the application.

The Material Change Report is due within 30 days of the change occurring.

BC Hydro requests modification to the wording for what constitutes a material change triggering a Material Change Report in its variance request for orders for Bridge River, John Hart, Mainwaring and Peace to Kelly projects, and its request for variance of the 2018 Capital Filing Guidelines as follows:<sup>15</sup>

- Cost – The Authorized Cost of the project exceeds the Authorized Cost that is part of the BCUC's Decision and Order granting a Certificate of Public Convenience and Necessity or accepting the capital expenditure schedule for a project;
- Schedule – There is a delay in the In-Service Date of a project; or
- Scope – The scope of a project as outlined in the application is changed to the extent that the objectives of the Project are altered, thereby requiring BC Hydro's Board of Directors to be informed.

Further, BC Hydro submits it will file a report with the BCUC of a material change meeting the above criteria within 30 days of the change being approved by the appropriate authority within BC Hydro.<sup>16</sup>

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<sup>14</sup> Exhibit B-9, BCUC IR 1.4.4.1, pp. 3-4.

<sup>15</sup> Ibid., BCUC IR 1.4.1.

<sup>16</sup> Ibid.



BC Hydro states:<sup>17</sup>

BC Hydro recognizes that a separate application to amend each of the mentioned Orders may be the more appropriate means for seeking such relief, but BC Hydro is seeking the amendments in this proceeding given that reporting is one of the topics in this proceeding. The relief, if granted, will be applicable to reporting in all four projects, and similar reporting requirements will be sought in future applications. Unless approved by the BCUC, BC Hydro will continue to comply with the existing orders respecting material reports.

### 2.2.3 Project Final Reports

BC Hydro seeks an amendment to Orders C-4-22, C-6-22, G-57-23 and G-107-23 to adjust the timing for filing Final Reports for these projects so that the Final Reports are due three months after review by BC Hydro's Board of Directors rather than three months after substantial completion of the project. BC Hydro states that this change is consistent with the 2018 Guidelines.<sup>18</sup>

Further, BC Hydro seeks an amendment to the 2018 Guidelines to clarify that the BC Hydro Board of Directors reviews, rather than approves, the Final Report for a project.<sup>19</sup>

In its submission on further process, BC Hydro submits that the BCUC should proceed to final argument on BC Hydro's requested amendments to Orders C-4-22, C-6-22, G-39-23, G-57-23 and G-107-23, and certain requested amendments to the 2018 Guidelines. BC Hydro explains that these requested amendments primarily relate to the frequency, scope and timing of project reports. BC Hydro submits that the Material Change Report, coupled with an annual progress report, will keep the BCUC appropriately informed of a project's progression, cost and schedule status.<sup>20</sup>

### *Positions of the Parties*

BCSEA, BCOAPO, the CEC and RCIA submit they support BC Hydro's position to proceed to final submissions on BC Hydro's requested amendments to Orders C-4-22, C-6-22, G-39-23, G-57-23 and G-107-23, and certain requested amendments to the 2018 Capital Filing Guidelines.<sup>21</sup> BCSEA and RCIA submit that the evidentiary record is sufficient on these requests.<sup>22</sup>

### *Panel Determination*

The Panel notes BC Hydro's request to vary its project reporting requirements. This request pertains to previous orders granted for certain major capital projects, and to the 2018 Guidelines.

In accordance with section 24 of the UCA, the BCUC must keep itself informed on matters pertaining to the utilities it regulates. The Panel has consistently considered the value of project reporting in the context of this

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<sup>17</sup> Ibid, Footnote 1.

<sup>18</sup> Exhibit B-1-3, cover letter, p. 4.

<sup>19</sup> Ibid., cover letter, p. 4.

<sup>20</sup> Ibid., cover letter, pp. 2-3.

<sup>21</sup> Exhibit C1-3, p. 1; Exhibit C2-3, p. 1; Exhibit C5-3, p. 2; Exhibit C3-4, p. 2.

<sup>22</sup> Exhibit C1-3, p. 2; Exhibit C3-4, p. 2.

mandate. However, the Panel notes BC Hydro's responses to IRs where it explains the time, effort and cost required to prepare project reports which frankly appear to the Panel to be excessive. The Panel further notes the apparent disconnect between the BCUC directed project progress reporting requirements attached to its orders granting CPCNs and accepting expenditure thresholds, the format and contents of BC Hydro's project progress reports in its compliance filings to date,<sup>23</sup> and BC Hydro's plans for its new project progress report template as detailed in section 2.1.1 above.<sup>24</sup>

The Panel finds that the issue of project reporting is sufficiently narrow in scope and complicated in substance to warrant proceeding to a Streamlined Review Process (SRP). In the Panel's view, an SRP will allow parties to fully explore the evidence pertaining to project reporting and the impact of the changes proposed by BC Hydro so as to enable the BCUC to reach a timely determination on this matter.

### **3.0 Further Regulatory Process**

Attachment A to Order G-37-12 contains the policy, guidelines and procedures for a Streamlined Review Process (SRP Procedures), which is intended to expedite the flow of information between the applicant, registered interveners and the BCUC by incorporating the benefits of a workshop, information requests and an oral hearing into one efficient process.

SRP participants are asked to be prepared to address the following scope items:

- Scope of project progress reports.
- BC Hydro's stated cost and time to prepare project progress reports.
- Scope of Material Change Reports.
- BC Hydro's internal review of project reports submitted to BCUC.
- BC Hydro's internal project reporting scope, deadlines and process.
- The anticipated impacts of BC Hydro's proposed changes to the BCUC's project reporting requirements.
- Confidential treatment of project progress reports, Material Change Reports, project final completion reports.

Parties are asked to register in advance of the SRP by emailing the Commission Secretary by Friday, November 10, 2023. Further details regarding the SRP will be issued in due course.

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<sup>23</sup> Exhibit A2-1; Exhibit A2-2.

<sup>24</sup> Exhibit B-10, CEC IR 1.5.2.