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October 31, 2016

British Columbia Public Interest Advocacy Centre
Suite 208 – 1090 West Pender Street
Vancouver, B.C.
V6E 2N7

Attention: Ms. Tannis Braithwaite, Executive Director

Dear Ms. Braithwaite:

Re: FortisBC Inc. (FBC)

Project No. 3698883

Application for the a Certificate of Public Convenience and Necessity for Replacement of the Corra Linn Dam Spillway Gates (the Application)

Response to the British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre *et al.* (BCOAPO) Information Request (IR) No. 2

On June 29, 2016, FBC filed the Application referenced above. In accordance with the British Columbia Utilities Commission Order G-107-16 setting out the Regulatory Timetable for the review of the Application, FBC respectfully submits the attached response to BCOAPO IR No. 2.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC INC.

Original signed:

Diane Roy

Attachments

cc (email only): Commission Secretary
Registered Parties



FortisBC Inc. (FBC or the Company) Application for a Certificate of Public Convenience and Necessity (CPCN) for Replacement of the Corra Linn Dam Spillway Gates (the Application)	Submission Date: October 31, 2016
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1 **12.0 Reference: Exhibit B-3, BCUC 1.2.3**

2 **Exhibit B-5, CEC 1.13.5**

3 12.1 The response lists a number of advantages to using an ECI model. Are there
4 any disadvantages/risks associated with using such a model, as opposed to the
5 more traditional Design Build Tender approach? If so, what are they and what
6 steps can/will FortisBC take to mitigate them?
7

8 **Response:**

9 Please refer to the response to CEC IR 2.25.1.

10

11

12

13 12.2 Please describe more fully what is meant by “a single bonded lump sum contract”
14 (per page 10, line 28).

15

16 **Response:**

17 Please refer to the response to BCUC IR 2.10.2. At the end of the Open Book Phase, the
18 contractor and the Company collaboratively agree on a final fixed price for the project based on
19 the tenders received for the various work packages from subcontractors plus the contractor’s
20 component of the project cost. The final agreed project cost and the previously agreed upon
21 key commercial terms form the basis of the fixed price Design Build contract with the contractor.
22 The contractor is required to provide a performance bond for the amount of the DB contract.

23

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1 **13.0 Reference: Exhibit B-3, BCUC 1.2.3.6**

2 13.1 If an ECI model is adopted and the Owner's Engineer were to advise that the
3 proposed contract price for the portion of the work not competitively tendered
4 was in its view "too high", please outline the processes that would follow to
5 resolve the issue with the selected contractor.
6

7 **Response:**

8 It is unlikely that the Owner's Engineer would consider the proposed contract price for the
9 portion of the work not competitively tendered to be "too high", as the owner and the Owner's
10 Engineer work together to define the Project requirements and the costs are mutually agreed
11 upon during the Open Book Phase of the Project. That is, the Owner's Engineer is an integral
12 part of the owner's team and assists in the development of the cost estimate collaboratively.
13 Ultimately because the portion of the work not competitively tendered is a negotiated value, all
14 parties implicitly agree. If for some reason consensus cannot be achieved, FBC will either
15 request that the ECI contractor tender that part of the self-performed work or request that the
16 ECI contractor demonstrate that the cost is competitive by obtaining comparable quotes. In the
17 unlikely event the owner and contractor do not agree on the lump sum fixed price at the end of
18 the Open Book Phase, then the owner has the right to tender the construction to other bidders
19 as described in response to BCUC IR 2.10.2.

20

21

22

23 13.2 In such an event does FortisBC still retain the right to "walk away" from the
24 contract if no agreement can be reached?

25

26 **Response:**

27 Please refer to the response to BCOAPO IR 2.13.1.

28

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1 **14.0 Reference: Exhibit B-3, BCUC 1.3.2.1**

2 **Exhibit B-5, CEC 1.4.2.1**

3 14.1 Given HMI`s experience (per CEC 1.4.2.1), did FortisBC seek HMI`s opinion as
4 to what would be a reasonable total project contingency allowance for such a
5 project?
6

7 **Response:**

8 FBC confirms it sought HMI`s opinion as to what would be a reasonable Project contingency
9 allowance to account for the known risks of the Project. This is described further in Section
10 6.3.1.2 of the Application (Exhibit B-1). Additionally, as described in the response to BCUC IR
11 1.3.2.1, FBC used its own judgment to determine an appropriate contingency to account for
12 unknown risks.

13

14

15

16

17 14.2 If yes, what was their advice? If not, why not?

18

19 **Response:**

20 Please refer to the response to BCOAPO IR 2.14.1.

21



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1 **15.0 Reference: Exhibit B-3, BCUC 1.3.3**

2 15.1 Does FortisBC's statement that there would not be any cost savings from
3 extending the schedule also apply if costs are considered and compared on a
4 Net Present Value basis using FortisBC's cost of capital?

5
6 **Response:**

7 Confirmed, there would also not be any cost savings from extending the schedule on a present
8 value basis. Moreover, there are additional capital and carrying costs associated with an
9 extended schedule.

10



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1 **16.0 Reference: Exhibit B-3, BCUC 1.8.1 and 1.8.3**

2 16.1 Assuming the ECI model was adopted, would the semi-annual report provided by
3 FortisBC (per BCUC 1.8.1) contain the same information as outlined in the
4 response to BCUC 1.8.3? If not, why not?

5
6 **Response:**

7 If an ECI model was adopted for the Project, the semi-annual reports could contain similar
8 information as outlined in the response to BCUC IR 1.8.3 except for a bidding list, or a summary
9 of bids for the main construction contract.

10



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1 **17.0 Reference: Exhibit B-5, CEC 1.4.2, 1.4.3 & 1.16.1**

2 17.1 How did FortisBC establish that the contract price to be charged by HMI for the
3 preliminary engineering and support work was reasonable and prudent?
4

5 **Response:**

6 FBC used recent experience with other engineering firms to establish that HMI's price was
7 reasonable and prudent. The total price proposed by HMI was similar to that for other
8 comparable engineering studies. FBC also compared the hourly rates with that of other
9 engineering firms in BC and the HMI hourly rates were comparable. The work completed by
10 HMI was billed on a Time and Material basis each month and FBC verified that the invoiced
11 amounts corresponded to the actual level of effort for each component of work billed.

12



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1 **18.0 Reference: Exhibit B-5, CEC 1.6.1 & 1.6.2**

2 18.1 How did FortisBC establish that the contract price to be charged by KP for the
3 Dam Stability Study was reasonable and prudent?
4

5 **Response:**

6 KP, having gained knowledge of the facility from completing the Dam Safety Review, was able
7 to provide a competitive quote to develop the dam stabilization study. FBC used recent
8 experience with other engineering firms to establish that KP's quote was reasonable and
9 prudent and based on the estimated level of effort in hours, was similar to that for other
10 comparable engineering studies.

11

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1 **19.0 Reference: Exhibit B-5, CEC 1.12.1 & 1.12.1.1**

2 **Exhibit B-8, BCOAPO 1.6.1**

3 19.1 The application of a standard 15% contingency allowance for both Alternatives 3
4 and 4 yields a higher contingency allowance for Alternative 4 (Gate
5 Replacement). However, the responses to CEC 1.12.1 and BCOAPO 1.6.1
6 indicate that the project risks are highest for Alternative 3, and the response to
7 CEC 1.12.1.1 indicates that the Construction Contingency (for Contractor's
8 Known Risks) is higher for Alternative 3. Please comment on this apparent
9 inconsistency.

10

11 **Response:**

12 As was stated in the response to CEC 1.12.1.1:

13 The 15% contingency was applied to the sum of the Total Construction &
14 Removal Costs, FBC Project Management Costs, and the Generation Admin
15 Overhead (i.e. Line 2, 4, and 5, respectively, of Table 4-2 of the Application). A
16 larger Total Project Contingency amount resulted for Alternative 4 since it has
17 a higher total Construction & Removal Cost.

18 That is, the higher Total Project Contingency for Alternative 4 arises only because Alternative 4
19 has a higher total Construction & Removal Cost.

20 As was stated in the response to CEC IR 1.12.1.1, Alternative 3:

21 ...has a larger Construction Contingency than Alternative 4 due to the
22 potential for the identified known risks to materialize during construction.

23 That is, for Alternative 3 the known Project risks are greater than for Alternative 4 so the
24 Construction Contingency is greater.

25 Therefore, there is no inconsistency because the known construction risks are greater for
26 Alternative 3 and consequently the known Construction Contingency is higher. However,
27 Alternative 4 has a greater Construction & Removal Cost and since the 15% Total Project
28 Contingency is applied to the sum of the Total Construction & Removal Costs, FBC Project
29 Management Costs, and the Generation Admin Overhead to account for owner's known risks
30 and unknown risks (please refer to Footnote 40 of Application), the total is correspondingly
31 higher.

32

33



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1
2 19.2 Would it be appropriate to either decrease the total Contingency attributed to
3 Alternative 4 or increase the total Contingency attributed to Alternative 3?

4
5 **Response:**

6 No; the contingencies are appropriate for the two alternatives as described in the responses to
7 CEC IR 1.12.1.1 and BCOAPO IR 2.19.1.

8



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1 **20.0 Reference: Exhibit B-5, CEC 1.13.8**

2 20.1 Does FortisBC have any internal policies regarding sole source contracting
3 (without tender)? If so, what are they and what approvals are required in order to
4 supersede the policies?

5

6 **Response:**

7 Please refer to the response to CEC IR 2.22.1.

8