



May 11, 2006

Robert J. Pellatt
Commission Secretary
B.C. Utilities Commission
6th Floor - 900 Howe Street
Vancouver, B.C.
V6Z 2V3

Dear Mr. Pellatt:

**Re: British Columbia Transmission Corporation (“BCTC”)
Certificate of Public Convenience and Necessity (“CPCN”)
VITR Project**

**IRAHVOL’s Response to the Cable Information Contained in BCTC’s
Letters Dated April 27, 2006 and May 4, 2006**

When IRAHVOL first asked BCTC to provide the prices and analysis of the cable bids for VITR¹ it do so on the premise that full disclosure is better than no or partial disclosure.

BCTC’s response, as set out in the above letters, to its undertaking to IRAHVOL and subsequent exchanges with Commissioner O’Hara and Chairperson Hobbs falls far short of the information that BCTC said it would provide with respect to the cable bids.

IRAHVOL requests the BCUC to order BCTC to provide the information that is said it would, and in particular the information referred to at TR V 37 pages 7240 -7241 lines 19-26 and lines 1-5 respectively.

Notwithstanding its request for this order, IRAHVOL notes that in point 4 of BCTC’s May 4, 2006 letter, reference is made to a cost estimate of: “\$119.3 million with a P50 contingency provision of \$12.2 million for a total forecast cable cost of \$131.5 million”. If by this reference, it is to be inferred that the bid from Mitsubishi Canada Limited of \$135.3 million is very close to the total forecast cable cost of \$131.5 million then such an inference is wrong.

¹ TR V 11 pages 1685-1686



In line 16 of Exhibit B1-67, the price of submarine cables for Routes 1 and Route 2 is stated as \$119,196,000. At line 49 there is a 10% contingency that is applicable to all aspects of VITR, including the submarine cable. At line 51 there is overhead applicable to all aspects of VITR. At line 57 there is “IDC” which is applicable to all aspects of VITR.

Although BCTC received a cable bid price of \$135.3 million², this doesn’t mean that the contingency in line 49 disappears in relation to the cable. The cable price isn’t absolutely and unconditionally firm. There still has to be a contingency to cover risk such as:

1. Schedule delay
 - First Nations³
 - Opposition to route selection⁴
 - Receipt of regulatory approvals⁵
 - Availability of a cable ship with a turntable⁶
2. Metal prices⁷
3. Currency⁸
4. Seabed examination by tenderer⁹

As noted by the transcript references, all of these matters have been the subject of cross-examination. Most of them are discussed in detail in IRAHVOL’s Final Argument under the heading “2. Risks of Delay”. Any of the points listed in number 1 above could lead to penalties and/or cancellation of the cable contract.

Given BCTC’s aversion to any type of price cap and its grossly inadequate proposal with respect to budget overruns as noted in IRAHVOL’s Final Argument under “2. Risks of Delay” and at “Executive Summary – point 7”, the 10% contingency is also grossly inadequate.

² IRAHVOL assumes this figure and the \$119.6 million figure do not include any cable station work other than termination.

³ TR V 11 page 1680 lines 6-7

⁴ IRAHVOL and TRAHVOL and Corporation of Delta final arguments

⁵ TR V 11 pages 1682 - 1683

⁶ TR V 11 pages 1683 - 1684

⁷ TR V 15 page 2574

⁸ TR V 15 page 2574

⁹ TR V 17 pages 3054 - 3060



On page 3 of IRAHVOL's Response to Intervenor's Arguments, dated April 26, 2006, IRAHVOL notes the caution BC Hydro has set out in its Service Plan 2006/07 to 2009/09 about rising construction costs.

At a bare minimum the figure of \$119,196,000 in Exhibit B1-67 should be replaced by the \$135.3 million figure, the 10% contingency increased to 20% and corporate overhead and IDC recalculated using the \$135.3 million amount. This is in addition to all the other costs that should be included as part of Exhibit B1-67 such as the cost of a seismically secure transmission line from the Ingledow substation to the Arnott substation, the cost of underground right of way acquisition in Tsawwassen, the cost of undergrounding portions of VITR transmission line in the Gulf Islands, compensation to affected landowners etc. etc and all as set out in detail in IRAHVOL's final argument.

As stated by the witness for BCTC, Mr. Barrett at TR V-18 page 3103:

"MR AUSTIN: Q: I just have one question following out of that exchange. Panel, would you agree with me that whether it's a P80 estimate, a P50 estimate or P90 estimate, it doesn't make any difference? It's how much the cost of the project is at the end of the day that counts?"

MR. Barrett: A: I would agree that the cost and schedule and quality of the final delivered project are what count."

Given BCTC's very limited equity, its aversion to a price cap and grossly inadequate penalty proposal, BCTC should be providing as much information as possible about the cable bids and increasing the contingency in Exhibit B1-67 to reflect the risks inherent in VITR.

Yours truly,

"Original signed by David Austin"

David Austin on behalf of IRAHVOL