

2017-10-11

D. J. Flintoff,
Richmond, BC

Mr. Patrick
Wruck
Commission Secretary and Manager
Regulatory Support
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
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www.sitecinquiry.com/comment

Dear Mr. Wruck:

RE: British Columbia Utilities Commission (BCUC or Commission)
Inquiry Respecting Site C
Comments on Preliminary Report to Provincial Government and the Public
and BC Hydro's Submission F1-7, F1-8

Not using Earned Value Methodology on a project of this scale is mystifying. Now a risk has materialized and the project schedule's float has disappeared and a cost ripple effect has occurred.

On October 4, 2017¹, BC Hydro states, "We will elaborate further on our conclusions in our submission to be filed on October 11, 2017. As well, BC Hydro representatives will be in attendance at the Technical Panel Session on October 14, 2017 to speak about the Project and to answer the Commission Panel's questions."

As the public process is drawing to a close, BC Hydro has frustrated the public process on the actual costs and schedule for Site C.

The estimate referred to below does not have an accuracy stated:

"Not meeting the current river diversion timeline has created new pressures on the project's budget. We estimate that this development in the project **is expected to increase its cost by 7.3 per cent or \$610 million, for a total forecast project cost of \$8.945 billion.** We've retained the contingency and it remains available to prudently manage risks on the project.² "

If this is a Class 5 estimate (concept) then the accuracy would in the range of +100% to +50%. For the sake of discussion +100% would be \$1.22 billion extra. BC Hydro should provide the accuracy of it

¹ BC Hydro Submission F1-7

² BC Hydro Submission F1-7

number of \$610 million. It should be noted that the impact on indirect costs is not included in the amount. In Quarterly Progress Report 7 the indirect cost is shown as \$1.235 billion or about 15% of the Project Cost, before Treasury Board Reserve or 22% of the Total Direct Construction Cost of \$5.695 billion. Assuming a linear relationship, the indirect cost increase would be in the magnitude of another \$90 million which makes the project cost approximately \$9 billion.

This late development of the river diversion timeline only raises more questions about the actual costs and contributes to my previous submission of using the P90 contingency instead of the P50 contingency being used by BC Hydro for all calculations going forward. Using the P90 value would provide a more accurate picture of the future.

In F1-8 response to IR 2.6.0, BC Hydro states:

“BC Hydro has not performed an earned value analysis compared to the FID baseline as it lacks sufficient level of detail to assess using earned value methodology. Further excluded from the analysis are the scopes of work as follows:

- I. Where construction has not yet commenced (Transmission, Generating Station & Spillway, and Highways);
- II. Level-of-Effort based work packages (e.g. indirect work packages) where earned value is of limited use;
- III. Turbine & Generators as it is milestone based with no on-site activities completed; and
- IV. Reservoir Clearing as not enough work has been completed to accurately analyze using the earned value methodology”.

Excluding some of the project costs from the BC Hydro tables in its submissions only obscures the overall cost picture. The Commission should request BC Hydro to fully disclose all project costs with stated accuracies so that the final project cost, including the river diversion impact, can easily be identified.

Regards,
Donald Flintoff