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Ms. Marija Tresoglavic
Acting Commission Secretary and Manager
Regulatory Support
British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC V6Z 2N3

Dear Ms. Tresoglavic:

**RE: British Columbia Utilities Commission (BCUC or Commission)
British Columbia Hydro and Power Authority (BC Hydro)
BC Hydro Materials Classification Facility Building Redevelopment Project**

BC Hydro writes to provide the BCUC with updated information regarding the forecast capital cost for the Material Classification Facility Building Redevelopment Project (the **Project**).

The Project forecast capital cost was estimated to be \$42.4 million at the time of filing the Fiscal 2020 – Fiscal 2021 Revenue Requirements Application (**F20-F21 RRA**).¹ The Project is now in the Implementation Phase and the Authorized Cost has increased to \$48.8 million and remains below the 2018 Capital Filing Guidelines (**Guidelines**) threshold amount of \$50 million for filing a section 44.2 application.

The Material Classification Facility comprises the Transformer Shop and Hazardous Waste Operations including salvage and disposal operations. The facility receives recovered electrical equipment and hazardous wastes from BC Hydro's facilities from across the entire province, making it critical in supporting other business units' waste needs. The products are received, drained of any oils, sorted, stored, and packaged or re-packaged prior to being transported offsite for recycling, treatment, or disposal at authorized hazardous waste management facilities. The Material Classification Facility has been identified as a priority for redevelopment due to the environmental regulation requirements, operational challenges, building conditions, and zoning requirements.

As part of BC Hydro's project delivery process, the scope and cost for a project become more defined as the project moves through the project delivery lifecycle. The lifecycle represents a staged approach to project definition and gate approvals. BC Hydro's

¹ F20-F21 RRA; Appendix J – Attachment 1; p125.

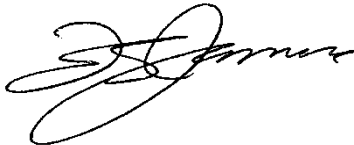
ongoing capital management processes are described in Chapter 6 of the F20-F21 RRA.

Since filing the F20-F21 RRA the Project design has been completed and the scope has been refined. The Project cost estimate incorporates a contingency of \$4.7 million, consisting of \$4.5 million in construction contingency (15 per cent of the total construction cost) and \$176,000 of design contingency to mitigate risks. BC Hydro has tendered approximately 80 per cent of our construction packages, the confirmed costs of which are included in the updated project cost. Therefore, BC Hydro expects that the total project costs, including construction and design contingencies, will remain below the \$50 million threshold.

Based on this information, BC Hydro confirms it will not be filing a section 44.2 application. Consistent with the Guidelines, BC Hydro will continue to provide updates on the Project to the BCUC and interveners through future Revenue Requirements Applications.

For further information, please contact Chris Sandve at 604-974-4641 or by email at bchydroregulatorygroup@bchydro.com.

Yours sincerely,



Fred James
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