by Vaughn Palmer,   September 26, 2017

VICTORIA — B.C. Hydro was nine per cent over budget and already dipping into contingency funds from day one on the main construction contract at Site C, according to the uncensored version of a report to the B.C. Utilities Commission.

The troubles continue to the present day, with the $1.8 billion main civil works contract having run through three quarters of its contingency budget with only one quarter of the work being done.

Those and other disturbing details are contained in a report from Deloitte LLP, the consulting firm hired to scrutinize Hydro’s numbers as part of the cabinet-ordered review of the Site C dam project.

The commission released the Deloitte report on its website Sept. 8, then took it down because it had neglected to black out passages that were supposed to be kept secret. Later it was reposted with those details obscured.

There matters stood until I was chatting this week with Robert McCullough, the US-based energy expert who has been working up here for the anti-Site C Peace Valley Land Owners Association. He advised me that he had an unredacted version of the Deloitte report posted to mresearch.com
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There British Columbians can see budget figures and other details that B.C. Hydro and the commission sought to withhold about the contract for civil engineering works at Site C — covering excavation of the two river banks, and construction of diversion tunnels, coffer dams and the giant earthworks dam itself.

Hydro budgeted that part of the project at $1.559 billion when the B.C. Liberals green-lighted construction in December 2014. The following year, the estimate was boosted to $1.612 billion.

Nevertheless all four bids came in well above. The lowest was $1.748 billion from Peace River Hydro Partners, a consortium made up of Spain’s Acciona Infrastructure, South Korean’s Samsung, and Alberta-based Petrowest Corporation.

Even going with the low bid, Hydro had to draw $136 million from contingencies to close the funding gap, a detail that was somehow left out of the Dec 22, 2015 press release announcing the contract.

The target date for start of construction was Jan. 21, 2016. But the partners were two months late in getting going and remained behind schedule into the summer.

Hydro had to intervene, and with a further $33.5 million dip into contingencies, managed to get things back on track by January of this year.

A month later a 400-metre long tension crack opened up on the north bank, forcing a 10-week delay in construction. Barely was that under control when a second crack, 250 metres long, opened up on the same bank in mid-May.

By the time Deloitte began asking questions in late August, Hydro was still dealing with the contractors on the budgetary and scheduling fallout from the two cracks and other problems.

While Hydro was reluctant to share details, Deloitte did learn that on Aug. 24, the partners filed a claim for an additional $327 million payment and a 435-day delay in their share of the construction schedule. The latter would mean missing the September 2019 target for diverting the river, putting the whole project behind by a year.

Hydro rejects both claims and Deloitte concluded that the partners probably underbid by several hundred millions and are now try to make it up.

But that still leaves the challenge of the schedule. “The partners ability to meet critical milestones poses a major challenge to the project,” wrote Deloitte.

Plus one of the partners, Petrowest, has gone bankrupt, a development that “will create a period of instability that may impact the (contractors) ability to meet its planned work schedule in the short to medium term.”

Nor did the consultants let Hydro off the hook. The low bid on the main civil works contract came in 12 per cent higher than Hydro’s initial estimate, 8.5 per cent over the utility’s final number. “Which raises concerns about Hydro’s ability to estimate large contracts,” concluded Deloitte.

The immediate consequence can be seen in the report’s uncensored numbers on contingencies.

Just two years into an eight year schedule, the main civil works contract has already eaten 77 per cent — $194 million — of its $252 million share of the contingency budget, leaving 23 per cent to cover all remaining overruns.

The proportions are reversed on work completed — 24 per cent — versus what remains to be done — 76 per cent.

Not surprisingly, the consultants expect Hydro will have to raid other parts of the contingency budget to cover further overruns with the main civil works contract before long.

Deloitte then goes on to note that Hydro’s record on this contract “reduces our confidence in the accuracy of the other main contract packages that have yet to be awarded.”

Next up is the second largest contract on the entire project, for building the generating station and main spillway. Budgeted at $1.255 billion, but in the absence of access to the bids, Deloitte rightly wonders if that’s a take-it-to-the-bank estimate.

Still to come is a contract for transmission lines to link Site C to the provincial grid. Another redacted passage in the report discloses that the transmission lines have already incurred additional costs of $494 million.

Hydro continues to insist that it can hit the mark on both the Site C budget and the river diversion. But those claims ring hollow, given the facts on display in the uncensored version of Deloitte report.

vpalmer@postmedia.com