

BC UTILITIES MINIMUM NOTICE PERIOD FOR RATE INCREASES TO RESIDENTIAL CONSTRUCTION FEES

Opening Statement

In January 2017, BC Hydro received final approval from the BC Utilities Commission for a rate increase on new connections to take effect April 1st, 2017. The short notice period provided was insufficient for the residential construction industry to adapt pricing and project timelines adequately, leaving many small businesses to have to absorb the additional costs.

Background

Effective April 1, 2017, charges relating to standard service connections, alterations and meter work with BC Hydro were increased to better reflect the cost of providing each service. It's the first time BC Hydro changed these fees since 2008, and they were re-calculated to more closely align with the actual costs for labour, materials and vehicles. 1

The new cost calculations were thoroughly reviewed by the B.C. Utilities Commission (BCUC) and intervenors during a year-long process of the 2015 Rate Design Application. On January 20, 2017, the BCUC issued its decision approving the changes to the Standard Charges effective April 1, 2017. 1

Service connection fees for zone 1 New single-phase connections include one meter. Additional fees may apply for modifications and relocations. 1

| | April 1, 2008 – March 31, 2017 | April 1, 2017 |
|--|-----------------------------------|---------------|
| 100A overhead | \$ 463 | \$ 799 |
| 200A overhead | \$ 496 | \$ 838 |
| 400A overhead | \$ 798 | \$ 1207 |
| 100A underground | \$ 605 | \$ 957 |
| 200A underground | \$ 855 | \$ 1270 |
| First meter installed on a subsequent visit | \$ 92 | \$ 181 |
| Additional meter | \$ 23 | \$ 46 |
| Crew return visit charge | \$ 194 | \$ 368 |

Two months is not sufficient notice period for changes to new connection fees by any BC Utility company. When typical permit processing times are longer than the notice period provided by BC Hydro, builders and developers are not given time to get homes ready for hook-up before the new rates take effect. In addition, when the majority of new homes in British Columbia are sold or built on a fixed-bid contract or pre-sold, builders and developers cannot pass on the additional costs to the homebuyer, leaving them to absorb the additional costs.

An example of this can be seen with a development in Harrison Highlands, where over 100 homes have been pre-sold at a fixed price and if the homes are not ready for connection within the short notice period, the increase rate of connection fees of \$400-\$500 per unit represents a loss of up to \$50,000 to the developer.

With fixed price contracts, this cost must be paid for by the companies and for larger developments this can be several thousand dollars – a big expense for small businesses to bear with no notice. For all other

contracts, this can be a significant impact to a budget for the new home buyer, especially in a province impacted by affordability already.

The reported average for Metro Vancouver for a typical two-level 2,500 sq. ft. home takes 16-18 weeks to build. ² This timeline is just for the building process and doesn't include many other factors outside the control of the development company, including building permit wait times, waiting for city hall inspections, etc. Below is a chart created by the Greater Vancouver Home Builders Association (GVHBA) showing permitting times across Vancouver with many the different types of project permits taking as long as 1 year or more to receive approval on. ³



There needs to be a more realistic notice period given by any BC Utility wishing to increase rates, that better reflect the timelines of a construction project. Notice of at least six months should be given so the construction industry can adapt for the new fees and structure the project accordingly.

THE CHAMBER RECOMMENDS

That the Provincial Government:

1. Implement a minimum six month notice period to all BC Utilities, for any increases to rates and services to allow industry time to adapt the new fees to projects accordingly, and
2. Establish a consistent direct communication method to inform industry about all upcoming rate increases and changes that would affect business in a timely manner.

**Submitted by the Mission Regional Chamber of Commerce
Supported by the Kamloops Chamber of Commerce**

¹ <https://www.bchydro.com/content/dam/BCHydro/customer-portal/documents/accounts-billing/electrical-connections/changes-to-service-apr-2017.pdf>

² https://assets-production-webvanta-com.s3-us-west2.amazonaws.com/000000/27/01/original/HAS/HAS_Report_April7b.pdf

³ GVHBA Housing Approvals Study Page 25