

# Guarantee Guide

## What is a guarantee?

A guarantee is a financial assurance provided by the customer that ensures the contribution or funds provided by BC Hydro toward an extension or system improvement is realized within 5 years.

## When is a guarantee required?

You may need to provide a guarantee before starting the construction in either or both of the following situations:

- 1. If BC Hydro anticipates that your maximum demand will exceed 100 kW, you may need to provide a **revenue guarantee** for the extension, either in cash or an equivalent form acceptable to BC Hydro.
- 2. If the estimated system improvement cost exceeds BC Hydro's maximum investment of \$1 million per MVA of your maximum demand, up to a maximum of \$10 million, you are responsible for the balance of the system improvement cost and may need to provide a **system improvement guarantee**. System Improvements are upgrades, additions, or modifications to the BC Hydro's distribution system, upstream of your extension or service connection to increase the capacity of the distribution system to meet your new or increased service requirements.

If a guarantee is required, you will be notified by your BC Hydro Design Representative. Construction and material procurement will not begin until the guarantee is provided.

## How do I provide a guarantee?

Online payment options are not available. Payment methods, which may include cheque, money order, or an irrevocable, automatically renewable letter of credit to BC Hydro, are subject to BC Hydro's approval. Goods and services tax (GST) will apply.

Your BC Hydro Design Representative will tell you the guarantee amount and available payment methods. See Figure 1 for the address to send your payment based on method.

### Important Notice

#### Follow the instructions provided by the BC Hydro Design Representative

An e-mail will be sent that will state your guarantee amount, available payment method and additional steps to ensure that your payment is processed quickly.

Cheque or Money Order	Letter of Credit
<b>Payment Controls Dept.</b> 333 Dunsmuir St, Vancouver, BC V6B 5R3	<b>Treasury Dept.</b> 333 Dunsmuir St, Vancouver, BC V6B 5R3

**Figure 1** – Address to send the guarantee by payment method.

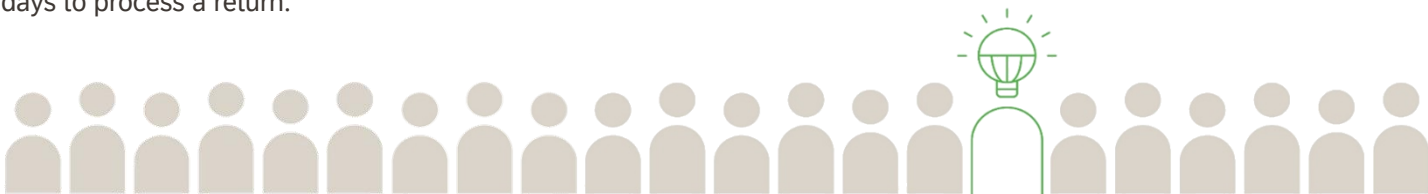
## How long is the guarantee held for?

BC Hydro will hold the guarantee for five years starting from the date of energization of your extension or service connection.

**Revenue guarantees:** At the end of the five-year period BC Hydro will reassess its contribution based on the actual number of customers connected to the extension, and their actual average billing demand over the last 3 years of the five-year revenue guarantee period.

**System improvement guarantees:** At the end of the five-year period, BC Hydro will reassess its contribution based on the maximum demand of the actual number of new customers served by the system improvement over the five-year period of energization of your extension or service connection.

Based on the reassessment, we will retain or return the guarantee in full or in part without interest. Expect an additional 90 days to process a return.



## EXAMPLE OF A REVENUE GUARANTEE CALCULATION

### Example of a revenue guarantee calculation for a customer with a maximum demand exceeding 100 kW.

You build an extension for a service with an estimated demand of 500 kW. We provide a contribution toward construction of \$501<sup>Note</sup> per kW of estimated demand. You provide a \$250,500 guarantee held by BC Hydro for five years, which is equal to our contribution toward construction.

*Calculation:*

$$500 \text{ kW estimated demand} \times \$501^{\text{Note}} \text{ per kW of estimated demand} = \$250,500$$

After five years of service, we review your account and determine that the actual average billing demand for the last 3 years of the guarantee period is 400 kW, which is lower than the original estimated demand. Based on the actual demand we will keep \$50,100 and return \$200,400 of the guarantee.

*Calculations:*

$$400 \text{ kW} \times \$501^{\text{Note}} \text{ per kW} = \$200,400 \text{ returned to you from the guarantee}$$

$$\$250,500 \text{ guarantee less the returned } \$200,400 = \$50,100 \text{ kept by BC Hydro from the guarantee}$$

*Note: BC Hydro's contribution amount is subject to change and adjusted once every fiscal year as approved by the British Columbia Utilities Commission.*

## EXAMPLE OF A SYSTEM IMPROVEMENT GUARANTEE CALCULATION

### Example of a system improvement guarantee calculation when BC Hydro's maximum investment exceeds \$1 million per MVA.

You build an extension for a service with an estimated demand of 1.6 MVA and requires \$2.5 million of system improvement costs to connect you. BC Hydro's maximum investment toward the system improvement is \$1.6 million to meet your new or increased service requirements. You provide a \$1.6 million guarantee for five years and the remaining \$900,000 is allocated to and paid for by you.

*Calculations:*

$$\$1.0 \text{ million per MVA funded by BC Hydro} \times 1.6 \text{ MVA maximum demand} = \$1.6 \text{ million BC Hydro investment}$$

$$\$2.5 \text{ million of system improvement costs} - \$1.6 \text{ million BC Hydro investment} = \$900,000 \text{ paid for by you}$$

After five years of service, we review new accounts served by the system improvement and determine the actual peak demand over the 5-year period is 1.2 MVA. Based on this BC Hydro retains \$400,000 and returns \$1.2 million of the guarantee.

*Calculations:*

$$\$1.0 \text{ million per MVA funded by BC Hydro} \times 1.2 \text{ MVA demand from new customers} = \$1.2 \text{ million in revenue}$$

$$\$1.2 \text{ million in revenue} = \$1.2 \text{ million returned to you from the guarantee}$$

$$\$1.6 \text{ million guarantee less the returned } \$1.2 \text{ million} = \$400,000 \text{ kept by BC Hydro from the guarantee}$$



## When can I have an evaluation performed?

BC Hydro will review the revenue guarantee after five years without you needing to apply. Only one review will be done for each project.

## Where to find more information

If you need more information go to [www.BCHydro/Connections](http://www.BCHydro/Connections).

### NEED ASSISTANCE?

Please contact your BC Hydro Design Representative for more information while your project is still active.

To inquire about an existing guarantee, contact the Customer Program Office at [CPO@bchydro.com](mailto:CPO@bchydro.com).

