



Preliminary 2011 Revenue Requirements

Appendix D

O&M Savings Report

1 The Operations and Maintenance (“O&M”) Savings Report is updated annually with the
2 Revenue Requirement Application pursuant to Commission Order G-58-06 which
3 approved the 2006 Negotiated Settlement Agreement. Specifically, the Agreement
4 included the provision that:

5 *For information purposes only, operating savings claimed in the 2006 and future CEP*
6 *and CPCN applications will be tabulated and presented at each Annual Review.*

7 Operating expenses are reduced as a result of projects that remove significant amounts
8 of old plant from service, resulting in reduced maintenance costs. Operating expenses
9 can also increase with various projects. When new plant is added to meet load growth,
10 it will be subject to ongoing maintenance activities and therefore will add to ongoing
11 future operating costs.

12 In cases of sustaining capital expenditures for improvements in operating standards,
13 safety and reliability, a material change in operating costs cannot always be expected.

14 Line loss reductions resulting from the capital program are built into the power supply
15 forecast annually, and are not included in the attached document as an operating
16 expense reduction.

17 New projects with savings claimed in either the most recent Capital Expenditure plan or
18 through a CPCN process are added to the report, with the claimed O&M savings noted.
19 FortisBC’s 2011 Capital Expenditure Plan is currently before the Commission and no
20 capital project CPCN has been approved since the last Revenue Requirement
21 Application. The tabulated results for the 2011 Revenue Requirement process shows
22 only two additions from the version submitted the previous year.

23 O&M expense is calculated by a formula under the terms of the PBR mechanism, and
24 incorporates a PIF of 1.5 percent for 2010 and 2011 which equate to reduction of
25 approximately \$0.6 million in 2011 of Gross O&M expense. This PIF was intended to
26 not only recognize operating savings as a result of capital expenditures, but also other
27 operating efficiencies.

28 The following table summarizes the operating savings (increases) associated with
29 capital expenditures beginning in 2006.

Table A

	Capital Project		Annual Savings/ (Increase) (\$000s)							Comments
			2006	2007	2008	2009	2010	2011	2012+	
1	Creston Distribution Upgrade	2006 CEP	20	20	20	20	20	20	20	This project addressed reliability, safety, and redundancy concerns in the Creston and Wynndel area. The Creston Distribution Feeder Upgrade project will support the Creston infrastructure by transferring a portion of the existing Creston central load to the new Lambert distribution source and allow the entire Wynndel load to be transferred to Lambert for decommissioning and salvage of the Wynndel station.
2	Kettle Valley Distribution Source	2005 CPCN			(20)	(20)	(21)	(21)	(22)	The savings associated with the decommissioning of old plant is offset by ongoing operation and maintenance costs for the new plant put into service. This project addresses the system reliability risks, restoration times, and safety risks associated with the aged plant in the Kettle Valley region.
3	Nk'Mip Transmission and Substation	2005 CPCN	0	0	(20)	(20)	(21)	(21)	(22)	The construction of a new distribution source station helps improve power quality in the Osoyoos area, including the area of east Osoyoos where service has typically been below the recommended minimum. Additional improvements are expected in reliability, capacity, and safety as a result of this project implementation. When new plant is added to meet load growth, it will be subject to ongoing maintenance activities and therefore will add to ongoing future operating costs.
4	Big White Supply	2006 CPCN	(10)	(16)	(16)	(17)	(17)	(17)	(18)	This project benefits area customers by improving the consistency and reliability of supply while assuring sufficient capacity to meet the immediate and long-term demands of growth at Big White. When new plant is added to meet load growth, it will be subject to ongoing maintenance activities and therefore will add to ongoing future operating costs.
5	Black Mountain Substation	2006 CPCN	0	0	(9)	(18)	(18)	(19)	(19)	The implementation of this project will help to address system capacity constraints related to the current and forecast load growth in the Black Mountain area of Kelowna. System reliability and redundancy will also be improved as a result of this project. When new plant is added to meet load growth, it will be subject to ongoing maintenance activities and therefore will add to ongoing future operating costs.
6	Ellison Substation	2006 CPCN	(10)	(14)	(14)	(15)	(20)	(20)	(21)	The implementation of this project helps to address system capacity constraints related to the current and forecast load growth in the north area of Kelowna. System reliability and redundancy will also be improved as a result of this project. When new plant is added to meet load growth, it will be subject to ongoing maintenance activities and therefore will add to ongoing future operating costs.

	Capital Project		Annual Savings/ (Increase) (\$000s)							Comments
			2006	2007	2008	2009	2010	2011	2012+	
7	Distribution Substation Automation	2007 CPCN	0	0	(10)	(25)	(45)	53	54	The ultimate goal of implementing the Substation Automation Program is to improve employee and public safety, power quality and reliability as seen by the customers. Remote operation and automation of all substations in the system will allow FortisBC to reduce outage times and also reduce operating expenses associated with dispatching personnel to make manual adjustments and switching.
8	Ootischenia Substation	2007 CPCN	0	0	(9)	(18)	(18)	(19)	(19)	The completion of this project addressed an immediate capacity deficiency and forecast future load growth in the Castlegar region. With load growth forecast to grow at 2.5% over the next 5 years, this project will help ensure available capacity for planned and future developments in the Castlegar area. When new plant is added to meet load growth, it will be subject to ongoing maintenance activities and therefore will add to ongoing future operating costs.
9	Okanagan Transmission Reinforcement	2007 CPCN	0	0	0	0	0	(24)	(24)	The implementation of this project will address system constraints related to the current and forecast load growth in the Kelowna area. System reliability and redundancy will be improved as a result of this project.
11	Benvoulin Substation	2008 CPCN	0	0	0	0	0	(20)	(20)	The implementation of this project will help to address system capacity constraints related to the current and forecast load growth in the south / center Kelowna area. System reliability and redundancy will also be improved as a result of this project. When new plant is added to meet load growth, it will be subject to ongoing maintenance activities and therefore will add to ongoing future operating costs.
12	Lower Bonnington Unit 1 ULE	2006 CEP	100	0	0	0	0	0	0	The ULE program commenced in 1997 and was developed to ensure the continued long-term reliability of the aging units and associated systems. Completion of the project contributes to avoided maintenance in year of life extension and year following. This resulted in savings of approximately \$100,000.00 in 2006.
13	Lower Bonnington Unit 3 ULE	2006 CEP & 2007/08 CEP		100	100	0	0	0	0	The O&M savings from the 2006 CEP were delayed to 2007 due to the timing of the project. The project had originally been scheduled for implementation in 2006 but was delayed to 2007 due to the Transformer failure on LBO Unit 2. Completion of the project contributes to avoided maintenance in year of life extension and year following.

	Capital Project		Annual Savings/ (Increase) (\$000s)							Comments
			2006	2007	2008	2009	2010	2011	2012+	
14	South Slokan Unit 3 ULE	2007/08 CEP			100	100	0	0	0	Completion of the project contributes to avoided maintenance in year of life extension and year following.
15	South Slokan Unit 1 ULE	2007/08 CEP				100	100	0	0	Completion of the project contributes to avoided maintenance in year of life extension and year following.
16	Corra Linn Unit 1 ULE						100	100	0	Completion of the project contributes to avoided maintenance in year of life extension and year following.
17	Corra Linn Unit 2 ULE							100	100	Completion of the project contributes to avoided maintenance in year of life extension and year following.
18	SAP Upgrade	2006 CEP	200	200	200	200	200	200	200	This project involved the implementation of the SAP software at FortisBC to accommodate separation of SAP support from FortisAlberta.
19	AM/FM/GIS	2006 CPCN		(150)	(150)	(150)	(163)	(170)	(170)	This enhancement ensures that FortisBC has a modern technology platform in place to provide the necessary data for efficient operation of assets and planning for growth and change. Increases in O&M are due primarily to the incremental cost of supporting the infrastructure in-house and to add licensing due to the high adoption and broadened user community for the ESRI solution. The lowest cost alternative from the original CPCN was selected.
20	Vehicle Lease Buy-out	2006 CEP	280	280	280	280	280	280	280	In 2004, after a review of leasing versus ownership, it was determined that ownership offered the least-cost long term option. The units to be purchased in 2006 will offset annual leasing cost of \$280,000.
21	IT Upgrades and Enhancements	2011 CEP							107	

	Capital Project	Annual Savings/ (Increase) (\$000s)								Comments
		2006	2007	2008	2009	2010	2011	2012+		
22	Kelowna 138kV Loop Fibre Installation								42	Completion of this project will reduce the expense associated with leased communication facilities.
23	TOTAL O&M SAVINGS (INCREASE)	580	420	452	417	377	422	319		

Note: savings/ increases as presented in the original application have not been adjusted to reflect differences in inflation due to application dates.