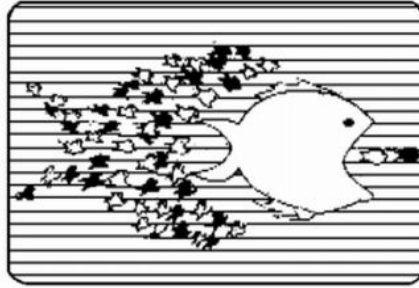


The
British Columbia
Public Interest
Advocacy Centre

208-1090 West Pender Street
Vancouver, BC V6E 2N7
Tel: (604) 687-3063 Fax: (604) 682-7896
email: bcpiac@bcpiac.com
<http://www.bcpiac.com>



Sarah Khan 687-4134
Eugene Kung 687-3006
James L. Quail 687-3034
Ros Salvador 488-1315
Leigha Worth 687-3044
Barristers & Solicitors
Pawanjit Joshi
Articled Student

Our File: 7394

September 22, 2008

Erica Hamilton
Commission Secretary
BC Utilities Commission
Sixth Floor - 900 Howe Street
Vancouver, BC V6Z 2N3

VIA EMAIL

Dear Ms. Hamilton:

Re: FortisBC Inc. Project No. 36985119 – Application for Approval of the 2009-2010 Capital Expenditure Plan and Review of the 2009 System Development Plan Update: Final Submissions of BCOAPO *et al.*

1. We are writing to provide our final submission in this proceeding on behalf of the BC Old Age Pensioners' Organization, BC Coalition of People with Disabilities, Council of Senior Citizens' Organizations of BC, federated anti-poverty groups of BC, and Tenant Resource and Advisory Centre (collectively referenced as "BCOAPO *et al.*").

1. 2009 System Development Plan Update

2. In 2004, FortisBC filed with the BCUC its long term 2005-2024 System Development Plan dealing with future requirements for its bulk transmission system, regional transmission and distribution systems, and telecommunications, SCADA networks and protection and control systems. Updates to the SDP were filed with the Commission as part of the 2006 and 2007-2008 Capital Expenditure Plans. The current SDP Update has been filed in conjunction with the 2009-2010 Capital Expenditure Plan (SDP Update, page 3).

3. FortisBC notes that execution of the projects listed in the current 2009-2010 Capital Plan will complete all of the major projects outlined in the original 2005 SDP, with the exception of those that have been deferred or cancelled. FortisBC plans to develop another long range plan in 2010/2011 that will cover the five year period between 2011-2015 (SDP Update, page 6).

a. Overview

4. FortisBC's current load forecast shows that the electrical load in various parts of the Company's service territory is growing at significantly different rates (SDP Update, page 3 and Appendix 1). There are high levels of growth in the north and south Okanagan areas, at 5% and 3% respectively, and modest growth (<2%) in the Kootenay and Boundary areas.

5. FortisBC's total planned spending for 2009-2010 is \$251.1 M, broken down as follows: Transmission - \$184.8 M; Distribution - \$62.0 M and Telecom/SCADA/P&C - \$4.4 M.

6. Planned spending is significantly higher in both 2009 (47%) and 2010 (194%) relative to the 2007 Update (SDP Update, Appendix 2, page 52). Reasons for this are the addition of the 20 Line and 27 Line rebuilds along with increases in the following projects (SDP Update, page 4 and BCUC IR 2.116.1):

- Okanagan Transmission Reinforcement (mainly scope changes and inflation/market escalation pressures – BCUC IR 2.122.1),
- Black Mountain (cost deferral from 2008 to 2009)
- Benvoulin (cost delay from 2008 to 2009)
- Naramata (cost delay from 2007 to 2009 & 2010)

7. Apart from the added projects, the spending increase from the 2007 SDP is based on inflation, more accurate estimates, and project scope changes (BCUC IR 1.98.1).

b. Transmission

8. The OTR represents the main bulk transmission system growth work and accounts for roughly two thirds of all transmission-related spending in the 2009 SDP Update (page 53). The OTR Project was the subject of a CPCN Application filed in December 2007, a hearing was held at the end of June, 2008, and the BCUC decision has not yet been released.

9. FortisBC's regional transmission growth projects are focused mainly in the Kelowna area, and most of the key projects are or will be addressed through individual CPCN applications. This includes the Benvoulin Substation project, for which a CPCN is expected to be filed in third quarter of 2008 (SDP Update, pages 13 and 53-54).

10. Transmission sustaining work includes a number of new projects which are a result of recent asset condition assessments and acceleration of the Mountain Pine Beetle (MPB) infestation (SDP Update, page 26). As a result, spending has virtually doubled for the 2009-2010 period.

11. Station sustaining work has also increased due to a number of new projects (SDP Update, pages 29-30). The cost impact is offset somewhat by the cancellation of certain projects due to line upgrades.

c. Distribution

12. The distribution growth portion of the plan includes both new projects as well as project cancellations and deferrals, as compared to the 2007-2008 update. This is to be expected as local circumstances, including customer growth, change over time. Overall, spending for 2009-2010 is now 7% higher than outlined in the 2007 Update.

13. Distribution sustaining spending has increased by \$16.4 M, however \$11.4 M of this is due to the Copper Conductor Replacement Project, and a further \$1.2 M is due to the MPB infestation.

d. Telecommunications, SCADA, and Protection and Control

14. Overall, spending levels in these areas are lower than in the 2007 SDP Update. Spending was up on the Distribution Substation Automation project, which was offset by deferral of other projects and lower spending on sustaining work.

2. 2009-2010 Capital Expenditures Plan

a. Overview

15. The Capital Expenditures Plan calls for total spending of \$359.9 M for 2009 - 2010. By comparison, spending approved for 2007-2008 was \$240.2 M, projected now to be \$254.3 M (CEP, page 10).

16. Out of the total spending of \$359.9 M, \$236.9 M has been previously approved or is already or will be the subject of CPCN applications. Therefore, FortisBC is seeking approval for the difference of \$123 M for 2009 and 2010. The Application is also seeking approval for future (post 2010) spending on the Corra Linn Unit 2 Life Extension (\$17.3 M) and the Huth Substation Upgrade (\$3.0 M) Projects.

17. The only projects in the 2009-2010 spending plan that are not required to ensure the ability to provide service, public & employee safety, and reliability of supply are the AMI project (which was the subject of a CPCN earlier this year) and Demand Side Management (BCOAPO IR 1.1.1 and IMEU IR1.2.1).

b. Generation

18. Over and above those projects addressed by CPCNs, FortisBC is requesting approval for the following Projects:

- Corra Linn Unit 2 Life Extension (\$22.7 M – page 23)
- Spare Unit Transformers for most stations (\$1.85 M – page 28)
- Improvement in Generating Plant Lighting (\$0.82 M – page 27)
- Various minor projects (\$3.57 M – page 30)

19. Also, there is an inconsistency in the information responses regarding the impact of generator upgrades on the output of the stations. BCUC IR2.149.7 suggests the upgrades will increase the energy capacity. However, the response to BCOAPO 1.4.1 suggests they will not. It would be helpful if FortisBC could provide the correct answer in its Reply Submissions.

c. Transmission and Stations

20. FortisBC is seeking approval for \$13.3 M related to growth projects that are not covered by CPCNs, and \$24.2 M associated with sustaining projects (CEP, pages 42-43).

21. FortisBC submits that transmission growth-related spending is needed to meet customer and load growth in the Kelowna, Castlegar and south Okanagan areas (CEP, pages 48-51), and to address changing supply circumstances in the central Kootenay area (CEP, page 53). Sustaining transmission projects include spending consistent with historical levels in the following areas: Urgent Repairs, Right of Way Easements, Right of Way Reclamation, Transmission Line Condition Assessment, and Line Rehabilitation (BCUC IR 1.35.2).

22. In its Final Submissions for the CEP, FortisBC did not acknowledge the correction needed to the budget for Right of Way Reclamation as a result of a correction made in BCUC IR2.103.1, which would lower FortisBC's 2009-2010 spending request by \$188 k. It would be helpful for the Company to comment in its Reply Submissions on whether it is prepared to make this correction.

23. The CEP also includes additional spending related to:

- MPB infestation (page 58);
- Switch Additions (page 61);
- 20 Line and 27 Line Rebuilds (pages 62-63); and
- 30 Line Rehabilitation.

24. Station sustaining work includes spending on minor projects and repairs that are in line with historic experience. This work also includes upgrade/replacement work on a number of substations and transformers (CEP, page 66).

d. Distribution

25. The Application is seeking approval for \$27.6 M on Distribution growth projects and \$20.6 M on sustaining projects that are not covered by other approvals (CEP, page 78). Over 70% of the distribution growth budget is associated with new connections. Most of the sustaining project spending is based on historical costs adjusted for inflation, or based on findings of equipment condition assessments.

26. In its Final Submissions, FortisBC has not acknowledged the correction needed to its budget for Distribution Sustaining Capital as a result of a correction made in BCOAPO IR1.16.2 that would lower the 2009-2010 spending request by \$537,000. It would be helpful if the Company could specify in its Reply Submission whether it will make this correction to its budget.

27. Further, in its Final Submissions (at paragraph 35), FortisBC states that it has agreed to consider removing from the capital budget the forecast \$100,000 expenditure for its Aesthetic and Environmental Upgrade Program. However, the Company goes on to request (see BCUC IR2.151.7) that the actual expenditures (up to \$100,000 annually) be approved for inclusion in rate base. As result, it is not clear what (if any) impact the removal of this item from the capital budget would have. Again, we would appreciate it if FortisBC could address this point in its Reply Submission.

e. Telecommunications, SCADA, and Protection and Control

28. Over half of the spending in this area is associated with the Distribution Substation Automation Project (\$2.8 M out of \$4.4 M). The balance, for which approval is being requested, is \$1.6 M, which will be used to resolve harmonics issues and provide for protection and communications upgrades (CEP, pages 102-103).

f. Demand Side Management

29. FortisBC has budgeted \$7.6 M (\$5.4 M net of taxes) for DSM programs for 2009-2010. The Company is preparing a long-term DSM plan for filing with the BCUC later in 2008 that will cover the years 2011-2020 (OEIA IR1.8.1).

30. FortisBC claims that its DSM programs cost less than the avoided cost of delivered power. However, the Company did not provide the supporting analysis demonstrating that this was the case for its new DSM programs, even though it was asked to do so (BCOAPO IR1.22.1).

31. As noted by FortisBC, low-income residential ratepayers have not been able to access existing DSM program offerings due to “various barriers” (OEIA IR1.15.9). To date, many of FortisBC’s DSM programs have required financial contributions from ratepayers in order to participate, and low-income customers have therefore not been able to take part.

32. Out of total DSM spending of \$7.6M outlined in the CEP, the Company has allocated \$200,000 towards low income programs, which understand will comprise of the “low-income residential housing retrofits” program (BCUC IR 2.151.6.5; BCOAPO IR 21.1, OEIA IR1.15.9).

33. FortisBC’s planned spending for 2009–2010 on low-income programs is minimal, but it does represent the start of what we hope will become a priority for the Company as electricity rates continue to rise and more money collected through rates is allocated

towards DSM programs generally. Providing DSM program access to low-income customers will not only assist the Company to meet its targets under the BC Energy Plan, access will also ensure that the Company is not faced with having to disconnect electricity to residents in the Kootenay-Okanagan that are having difficulty paying their ever-increasing electricity bills.

34. While we fully support FortisBC's participation in the Provincial Affordable Housing Working Group, we are concerned that the Company should not rely solely on that Group for assistance in designing suitable programs for low-income ratepayers. There are many fully operational DSM programs for low-income ratepayers in other jurisdictions, and significant research has been conducted into this area. Some key themes have emerged, including the necessity for programs such as home and apartment retrofitting to be available free of charge to customers who meet financial eligibility criteria. We will be looking to the DSM Plan filing later this year to set out an increased focus on programs targeting low-income ratepayers.

g. General Plant

35. The bulk of the budget in this area (\$36.7 M out of \$59 M) is associated with AMI which is the subject of a separate CPCN. The balance is for vehicles, information systems, telecommunications, buildings, furniture & fixtures, and tools & equipment. Excluding AMI, the requested spending is in line with historical levels (BCOAPO IR 1.26.1).

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

BC Public Interest Advocacy Centre

Original signed by

Sarah Khan
Barrister & Solicitor
Counsel for BCOAPO *et al.*

c: FortisBC
Registered Intervenors