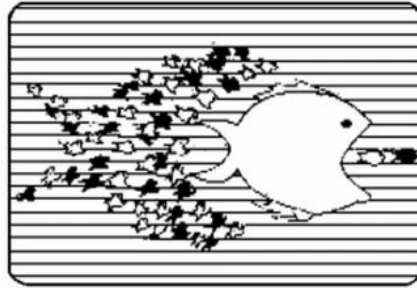


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Via email

December 11, 2007

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

Dear Ms. Hamilton:

**Re: FortisBC CPCN Distribution Substation Automation Project - Project No.
3698477 - Final Submission of BCOAPO *et al***

Introduction

1. We are writing to provide our final submission on behalf of BC Old Age Pensioners' Organization, BC Coalition of People with Disabilities, Council of Senior Citizens' Organizations, federated anti-poverty groups of BC, and Tenant Resource and Advisory Centre (collectively known as BCOAPO *et al*).
2. FortisBC has applied to the BC Utilities Commission ("the Commission") for a Certificate of Public Convenience and Necessity ("CPCN") for the Distribution Substation Automation Project ("the Program").
3. The Program involves installing automated control and data acquisition systems at 28 existing substations. The estimated cost of the Program is \$6.38 million. There are two main components to the program: equipment installations at each of the stations and data collection and archiving hardware and software. The Program does not include more complex load restoration and auto-transfer schemes, but the systems are expandable and have the ability to provide for such schemes in the future (BCUC IR 17.1).
4. Work on the Program will take place between 2008 and 2011, and the order in which the substations will be upgraded has been established through a prioritization process (BCUC IR 22.1).

5. There are ten other older substations that are not included in the Program as they will be retired in the near future or their status is under review.

6. FortisBC is installing similar automation systems in all new substations, and these are not included in the scope of the current Application. Automation work on the new substations will be completed within the same timeframe as the Program.

Technology

7. According to FortisBC, all of the equipment design and operation is consistent with the equipment currently being installed in new substations in FortisBC's service territory. The technology has been available on the market long enough to be reviewed and tested by many utilities, including BC Hydro which uses similar technology.

8. The software that FortisBC will use if this Program is approved is a commercial package from an established vendor (BCUC IR 1.3), and FortisBC has indicated that the vendors it plans to purchase equipment from have established records of supporting legacy devices for a reasonable duration after their introduction (BCUC IR 20.1). In order to avoid obsolescence and to ensure cost-effectiveness of the Program, we urge the Company to ensure that ongoing support will be available for the technology it purchases in relation to this Program.

Program Cost

9. FortisBC has estimated that the Program will cost \$6.38 million, and this amount includes a 10% contingency allowance. The Company considers this cost estimate to be accurate within +/-25%. If the Project is approved, FortisBC will proceed with detailed scoping and estimating to a +/- 10% level, and will provide this revised estimate within three months. The Company has stated that it will report to the Commission any material change in estimated costs (BCUC IR 9.1 & 9.2).

10. FortisBC states that market volatility has not been an issue in pricing of the equipment to be installed under the Program (BCUC IR 9.0), and that there are no significant risks associated with the Program (BCUC IR 10.1).

11. Given that the Program costs are at this stage estimated at the wider +/- 25% level, if the Program is approved we ask that the Company report on the revised +/- 10% cost estimate during the 2008 Annual Review and 2009 Revenue Requirements proceeding.

Program Justification and Benefits

12. If the Program were not approved, normal practices would result in partial upgrades (e.g., metering upgrades) being completed at the substations over the next 15 years and the full benefits would not be available until that time (BCUC IR 3.3).

FortisBC claims that extending the Program over a longer period would increase the cost and likely lead to a mix of technologies (BCUC IR 3.5).

13. There are concerns about whether the Program should be delayed, including the following:

- § Providing time to develop sufficient benchmark data to assess the programs benefits (after the fact) – BCUC IR 33.2 & 33.3
- § Cyber-security standards are still being developed (BCUC IR 32.3 and 34.1 & 34.2)
- § Emerging new technologies (BCUC IR 32.2)

14. Ultimately there is a trade-off between adopting a new and somewhat unproven technology versus an older one that has potential to become obsolete or replaced by new/improved versions. FortisBC has indicated that it has standardized the automation devices that it is installing in all of its substations, which in our view appears to be a reasonable compromise.

15. While more advanced systems may be available in the future, FortisBC has stated that the current technology meets its needs.

16. The Application lists twelve areas of benefits that will arise from the Program. These benefits include improvements in load forecasting, maintenance planning, safety, and increased reliability as a result of the ability to balance and transfer loads between feeders. Financial values are only attached to four of the twelve listed benefits.

Financial Analysis

17. FortisBC has estimated the Net Present Value (NPV) of the Program to be \$1.152 million, and that the one time equivalent rate impact will be 0.05% (BCUC IR 26.3). This analysis uses the benefits attributable to full scale implementation of the Program (BCOAPO IR 3.4).

18. In response to BCOAPO IR 4.1 and 4.2, FortisBC suggests that there will be significant localized benefits simply by installing automation systems at new substations, even if automation systems are not deployed at all locations. This raises a concern that the “full benefits” used in the Company’s financial analysis may include benefits attributable to the installations being undertaken at new substations (which are being done in any event) and, therefore, overstate benefits that can be attributed to the proposed Program.

19. Although there may be some overlap in the counting of benefits that may increase the overall costs of the Program, there are other benefits, such as a reduction in system losses, that make the Program worthy of approval.

20. While the Program is likely to lead to reductions in system losses (BCOAPO IR 1.2), the financial analysis contained in the Application does not assume any benefits due to such reductions (BCUC IR 26.8). FortisBC estimates that if the Project results in 0.1% reduction in losses, then the additional savings - \$240,000 annually - would result in a zero NPV (BCUC IR 34.2).

21. Part of our support for this Program is predicated on an opportunity to reduce system losses, as even small reductions will result in significant savings to customers. In response to BCUC IR 34.2, FortisBC outlines plans to file an Automated Metering Infrastructure (“AMI”) CPCN application in the near future, in order to install real-time AMI metering at the end customer level. The Company also states in response to the same IR that neither the Program nor AMI by itself can provide the information to accurately assess system losses at the distribution feeder level.

22. It is our understanding that reductions in system losses as a result of this Program do not require AMI at the end customer point. It would be useful for FortisBC to comment in its Reply Submission on whether savings in system losses are dependent on full-scale automated metering at the customer level.

23. In our view, it does appear that there is an overall net benefit to customers in proceeding with the Program.

All of which is respectfully submitted.

BC PUBLIC INTEREST ADVOCACY CENTRE

Original in file signed by:

Sarah Y. Khan
Counsel for BCOAPO *et al.*

c. FortisBC