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December 14, 2007

**Via Email**  
**Original via mail**

Ms. Erica M. Hamilton  
Commission Secretary  
BC Utilities Commission  
Sixth Floor, 900 Howe Street, Box 250  
Vancouver, BC V6Z 2N3

Dear Ms. Hamilton:

***Re: An Application for a CPCN for the Distribution Substation Automation Program  
("the Program")***

Please find enclosed twenty copies of FortisBC Inc.'s Reply Argument with regard to the above noted project.

Sincerely,  
A handwritten signature in black ink, appearing to read "D. Bennett". The signature is written in a cursive, flowing style.

David Bennett  
Vice President, Regulatory Affairs  
and General Counsel

cc: Registered Intervenors

## **REPLY ARGUMENT OF FORTISBC INC.**

### **DISTRIBUTION SUBSTATION AUTOMATION PROGRAM**

#### **A. INTRODUCTION**

1. FortisBC Inc. (“FortisBC” or “the Company”) hereby submits its Reply Argument on the Distribution Substation Automation Program (the “Program”)

#### **B. SUBMISSION OF MRS. GOODMAN**

2. Mrs. Goodman recommends approval of the Program.

#### **C. SUBMISSION OF MR. WAIT**

3. Mr. Wait’s submission recognizes the non-financial benefits of the Program to ratepayers.
4. Mr. Wait also discusses in his submission the current Performance-Based Regulation (“PBR”) Plan under which FortisBC sets its annual Revenue Requirements, stating that the Application for the Program raises “concerns as to whether the ROE sharing mechanism is properly structured” (Final Submission of Alan Wait).
5. Notwithstanding his concerns, Mr. Wait does not oppose the Program.
6. Mr. Wait recognizes that capital expenditures are fully reflected in future rate, but savings *beyond those embedded in the rate-setting mechanism* are shared between customers and the Company. FortisBC submits that increasing the Company’s efficiency beyond an annual productivity improvement factor is a desired outcome of PBR.
7. The Company further submits that most of its operating savings are achieved through cost control and productivity improvement efforts in its operations and that only a very small portion of cost savings result from capital expenditures.
8. The Company intends to reflect the cost savings associated with this Program in its Revenue Requirements and will address this aspect as part of its 2009 Revenue Requirements Application.

**D. SUBMISSION OF BCOAPO**

9. BCOAPO states that “there is an overall net benefit to customers” from the Program (BCOAPO Final Submission, paragraph 23).
10. At paragraph 18, BCOAPO questions whether the benefits used in the Program analysis may include benefits attributable to equipment installed at substations not included in the Program. FortisBC confirms that the analysis of benefits was based on the substations that are included in the Program.
11. In reply to BCOAPO’s query in paragraph 22 with reference to full-scale automated metering at the customer level, identification of transmission system and substation losses would not require the installation of Advanced Meter Infrastructure (“AMI”). At the distribution feeder level, neither feeder loss reduction through better overall allocation of loads between individual substation feeders, nor feeder-level power factor correction (by installation of capacitors) would require AMI. However, targeted loss reductions at the feeder level which could be addressed by knowing the instantaneous real losses on a per-feeder basis would require AMI.
12. Finally, BCOAPO requests that the Company report on the +/- 10 percent cost estimate during the 2008 Annual Review. The Company confirms that it will do so.

**E. CONCLUSION**

13. FortisBC acknowledges with appreciation the support of Mrs. Goodman, Mr. Wait, and BCOAPO for the Program. It is submitted that the Program as proposed is fully justified and FortisBC, accordingly, requests that the Commission grant an Order issuing the CPCN for the Program.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

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David Bennett  
Vice President, Regulatory and General Counsel