

November 2, 2009

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: *FortisBC Inc. ("FortisBC") 2010 Revenue Requirements Update*

Further to FortisBC's letter dated October 1, 2009 filing the Preliminary 2010 Revenue Requirements Application and Commission Order No. G-118-09, please find enclosed for filing 20 copies of the 2010 Updated Revenue Requirements.


FortisBC has made a number of adjustments to its 2010 Revenue Requirements as a result of updating its forecasts based on actual results to September 30, 2009. The required rate increase for 2010 has decreased from 4.6 percent to 4.0 percent as a result of the updates.

The determination of final 2010 Revenue Requirements will be the aggregate result of a Settlement Agreement arising out of the 2010 Negotiated Settlement Process ("2010 NSP") to be held on November 18, 2008, further updates to this Application as may be agreed to by the Parties to the 2010 NSP, and the setting of FortisBC's allowed Return. However as noted in the Preliminary 2010 Revenue Requirements, pursuant to Order G-58-06, FortisBC's Return on Equity is set relative to the benchmark low risk utility, Terasen Gas Inc., which is the subject of an application currently in process before the Commission. If a decision in that application is issued prior to determining final 2010 rates for FortisBC, the resulting FortisBC Return on Equity will be included in final rates. Otherwise FortisBC would expect to implement any resulting change to 2010 Revenue Requirements and rates by way of a flow-through adjustment at the time of the decision.

As in previous years the Company requests approval to implement any BC Hydro Power Purchase rate changes by way of a flow-through adjustment at the time of a Commission decision approving a BC Hydro rate adjustment for 2010. In addition, the Company is awaiting confirmation by its actuary of the final 2010 pension expense, which will be incorporated into O&M Expense if received by the time of setting final rates.

Accordingly, the Company requests, pursuant to Sections 60 and 61 of the Utilities Commission Act, and subject to the conditions stated above, that a general rate increase of 4.0 percent applicable to its existing tariff effective January 1, 2010, be approved as firm.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dennis Swanson', with a long horizontal flourish extending to the right.

Dennis Swanson
Director, Regulatory Affairs



Updated 2010 Revenue Requirements

November 2, 2009

1 **Introduction**

2 On October 1, 2009 FortisBC filed its Preliminary 2010 Revenue Requirements
3 Application (“October Filing”). The capital and operating forecasts were based on July
4 2009 actual and August to December forecast results. This update (“November
5 Update”) for the Company’s 2009 and 2010 capital and operating forecasts incorporates
6 actual results to September 30, 2009, along with adjustments to the 2010 forecast to
7 reflect more current information.

8 The required 2010 rate increase has decreased from 4.6 to 4.0 percent as a result of
9 the changes to the capital and operating forecasts.

10 The following schedules provide a summary of the updated 2009 financial forecast and
11 2010 Revenue Requirements. Explanations of changes from the October Filing are
12 provided following the Revenue Requirements Overview Schedules.

13 Also included in this submission are updated Performance Standards, incorporating
14 actual results for the period October 1, 2008 to September 30, 2009. As in the October
15 Filing, FortisBC has met 12 of 13 targets.

Revenue Requirements Overview – 2009 Forecast

	2009			Variance
	Approved	October Filing	November Update	
1 Sales Volume (GWh)	3,107	3,126	3,129	3
2 Rate Base	907,977	872,399	869,341	(3,058)
3 Return on Rate Base	7.38%	7.69%	7.71%	0.02%
4				
5 REVENUE DEFICIENCY				
6				
7				
8				
9				
10				
11 POWER SUPPLY				
12 Power Purchases	70,944	70,201	69,638	(563)
13 Water Fees	8,480	8,563	8,656	93
14	79,424	78,764	78,294	(470)
15 OPERATING				
16 O&M Expense	46,573	46,573	46,573	-
17 Capitalized Overhead	(9,315)	(9,315)	(9,315)	-
18 Wheeling	4,010	4,013	3,994	(19)
19 Other Income	(4,915)	(5,441)	(5,178)	263
20	36,353	35,830	36,074	244
21 TAXES				
22 Property Taxes	11,561	11,477	11,473	(4)
23 Income Taxes	4,354	4,121	4,377	256
24	15,915	15,598	15,850	252
25 FINANCING				
26 Cost of Debt	34,803	33,747	33,554	(193)
27 Cost of Equity	32,215	33,310	33,514	204
28 Depreciation and Amortization	37,504	37,379	37,384	5
29	104,522	104,436	104,452	16
30 INCENTIVE ADJUSTMENT				
31 Prior Year Incentive True Up	173	(1,443)	(1,443)	-
32 Flow Through Adjustments	(435)	933	1,068	136
33 ROE Sharing Incentives	(1,181)	1,095	1,300	205
34	(1,443)	584	925	341
35 TOTAL REVENUE REQUIREMENT	234,771	235,212	235,595	383
36				
37 Carrying Cost on Rate Base Deferral Account	(8)	-	-	-
38 ADJUSTED REVENUE REQUIREMENT	234,763	235,212	235,595	383

Note: Minor differences due to rounding.

Revenue Requirements Overview – 2010 Forecast

		2010		
		October	November	Variance
		Filing	Filing	
1	Sales Volume (GWh)	3,174	3,176	2
2	Rate Base	975,827	975,702	(125)
3	Return on Rate Base	7.28%	7.28%	0.00%
4				
5	REVENUE DEFICIENCY			
6				
7	POWER SUPPLY			
8	Power Purchases	77,224	77,125	(99)
9	Water Fees	9,064	9,068	4
10		86,288	86,193	(95)
11	OPERATING			
12	O&M Expense	47,883	47,586	(297)
13	Capitalized Overhead	(9,577)	(9,517)	60
14	Wheeling	4,149	4,019	(130)
15	Other Income	(4,855)	(5,025)	(170)
16		37,601	37,063	(538)
17	TAXES			
18	Property Taxes	12,548	12,548	-
19	Income Taxes	3,758	3,672	(86)
20		16,306	16,220	(86)
21	FINANCING			
22	Cost of Debt	36,784	36,781	(3)
23	Cost of Equity	34,271	34,267	(4)
24	Depreciation and Amortization	41,978	42,028	50
25		113,034	113,076	42
26	INCENTIVE ADJUSTMENT			
27	Prior Year Incentive True Up	(322)	(322)	-
28	Flow Through Adjustments	(933)	(1,068)	(136)
29	ROE Sharing Incentives	(1,095)	(1,300)	(205)
30		(2,349)	(2,690)	(341)
31				
32	TOTAL REVENUE REQUIREMENT	250,879	249,861	(1,019)
33				
34	ADJUSTED REVENUE REQUIREMENT	250,879	249,861	(1,019)
35	LESS: REVENUE AT APPROVED RATES	239,873	240,310	437
36	REVENUE DEFICIENCY for Rate Setting	11,006	9,551	(1,455)
37				
38	RATE INCREASE	4.60%	4.00%	-0.60%

Note: Minor differences due to rounding.

1 **Rate Base - (Tab 3)**

2 The \$3.058 million reduction in the 2009 Rate Base Forecast is primarily the result of
 3 timing of capital projects placed in service. Although forecast capital expenditures for
 4 2009 changed by only \$0.5 million from the October Filing as explained at page 15
 5 below, the timing of projects within 2009 reduced the Adjustment to Rate Base for
 6 Capital Expenditures by approximately \$2.4 million. The balance of the reduction in
 7 mid-year Rate Base (\$0.6 million) is primarily due to a reduction in forecast Deferred
 8 Charges and in Net Additions to Plant.

2009 Rate Base Forecast

Parameter	2009		
	October Filing	November Update	Change
	(\$000s)		
Mid Year Rate Base	872,399	869,341	(3,058)

9 The \$0.125 million reduction in the 2010 Rate Base Forecast is not material in
 10 comparison to the October Filing.

2010 Rate Base Forecast

Parameter	2010		
	October Filing	November Update	Change
	(\$000s)		
Mid Year Rate Base	975,827	975,702	(125)

1 **Operating** - (Tab 3)

2 The Operating Cost Forecast for 2009 has increased by \$0.244 million from the October
 3 Filing primarily as a result of a decrease in the forecast of Other Income. The decrease
 4 in Other Income of \$0.263 million resulting primarily from:

- 5 - Reduction in Electric Apparatus Rental: \$0.123 million
- 6 - Reduction in Brilliant Management Fee Capital: \$0.051 million; and
- 7 - Reduction in Connection Charges: \$0.054 million.

2009 Operating Cost Forecast

		2009		
		October Filing	November Update	Change
		(\$000s)		
1	O&M Expense	46,573	46,573	-
2	Capitalized Overhead	(9,315)	(9,315)	-
3	Wheeling	4,013	3,994	(19)
4	Other Income	(5,441)	(5,178)	263
5	Total	35,830	36,074	244

Note: Minor differences due to rounding.

8 The Operating Cost Forecast for 2010 is reduced by \$0.538 million from the October
 9 Filing. This reduction is largely due to reduced O&M and Wheeling Expense in addition
 10 to higher Other Income.

11 The reduction in O&M is due to a reduction in Pension & Post Retirement Benefits while
 12 the increase in Other Income has mainly resulted from increases in Electric Apparatus
 13 Rental (\$0.051 million) and Contract Revenue (\$0.123 million due to increases in
 14 Waneta and Brilliant Management Fees).

15 Wheeling expense in 2010 is reduced by \$0.130 million as the indexing mechanism
 16 based on the July 2009 BC CPI resulted in a lower wheeling rate.

2010 Operating Cost Forecast

		2010		
		October Filing	November Update	Change
		(\$000s)		
1	O&M Expense	47,883	47,586	(297)
2	Capitalized Overhead	(9,577)	(9,517)	60
3	Wheeling	4,149	4,019	(130)
4	Other Income	(4,855)	(5,025)	(170)
5	Total	37,601	37,063	(538)

Note: Minor differences due to rounding.

1 **Taxes** - (Tab 3)

2 Income tax for 2009 has increased from the October Filing by \$0.256 million primarily
 3 due to higher taxable income resulting from higher Utility Income before Tax, lower
 4 Interest Expense and a higher forecast Incentive. In total, Tax expense is forecast to
 5 increase by \$0.252 million.

2009 Taxes Forecast

		2009		
		October Filing	November Update	Change
		(\$000s)		
1	Property Tax	11,477	11,473	(4)
2	Income Tax	4,121	4,377	256
3	Total	15,598	15,850	252

6 Income tax for 2010 has decreased from the October Filing by \$0.086 million primarily
 7 due to lower taxable income resulting from lower Utility Income before Tax and the
 8 updated 2009 Incentive.

2010 Taxes Forecast

		2010		
		October Filing	November Update	Change
		(\$000s)		
1	Property Tax	12,548	12,548	0
2	Income Tax	3,758	3,672	(86)
3	Total	16,306	16,220	(86)

- 1 **Financing** - (Tab 3)
- 2 Financing costs for 2009 and 2010 have not changed materially

2009 Financing Forecast

		2009		
		October Filing	November Update	Change
		(\$000s)		
1	Cost of Debt	33,747	33,554	(193)
2	Cost of Equity	33,310	33,514	204
3	Depreciation and Amortization	37,379	37,384	5
4	Total	104,436	104,452	16

2010 Financing Forecast

		2010		
		October Filing	November Update	Change
		(\$000s)		
1	Cost of Debt	36,784	36,781	(3)
2	Cost of Equity	34,271	34,267	(4)
3	Depreciation and Amortization	41,978	42,028	50
4	Total	113,034	113,076	42

Note: Minor differences due to rounding.

1 **Incentive Adjustments - (Tab 3)**

2 The Incentive Adjustment Forecast has increased by \$0.341 million from the October
 3 Filing with a consequent reduction in 2010 by an equivalent amount. This is due to the
 4 flow-through adjustments resulting from the forecast reduction of Interest Expense and
 5 the higher ROE Sharing Incentive in 2009.

2009 Incentive Adjustment Forecast

		2009		
		October Filing	November Update	Change
		(\$000s)		
1	Prior Year Incentive True Up	(1,443)	(1,443)	-
2	Flow Through Adjustments	933	1,068	136
3	ROE Sharing Incentives	1,095	1,300	205
4	Total	584	925	341

2010 Incentive Adjustment Forecast

		2010		
		October Filing	November Update	Change
		(\$000s)		
1	Prior Year Incentive True Up	(322)	(322)	-
2	Flow Through Adjustments	(933)	(1,068)	(136)
3	ROE Sharing Incentives	(1,095)	(1,300)	(205)
4	Total	(2,349)	(2,690)	(341)

Note: Minor differences due to rounding.

1 **Load and Revenue Forecast - (Tab 5)**

2 The changes to the 2009 and 2010 load forecasts between the October Filing and the
 3 November Update are due to the inclusion of August and September 2009 actual and
 4 normalized sales. The updated 2009 and 2010 energy and revenue forecasts and the
 5 changes from the October Filing are summarized in the tables below.

2009 Normalized Forecast Energy Sales & Revenue Including DSM

	Energy sales (GWh)	2009		
		October Filing	November Update	Change
1	Residential	1,219	1,218	(1)
2	General Service	664	673	9
3	Wholesale	903	917	14
4	Industrial	231	214	(17)
5	Lighting	13	13	0
6	Irrigation	52	50	(2)
7	Net Load	3,083	3,085	2
8	Gross Load	3,387	3,390	3
9	Gross Loss (%)	9.00	9.00	0
10	Winter Peak (MW)	701	701	0
11	Summer Peak (MW)	560	560	0
12	Total Revenue (\$000s)	\$235,212	\$235,595	\$383

2010 Normalized Forecast Energy Sales & Revenue Including DSM

	Energy sales (GWh)	2010		
		October Filing	November Update	Change
1	Residential	1,228	1,226	(2)
2	General Service	671	681	10
3	Wholesale	919	915	(4)
4	Industrial	291	291	0
5	Lighting	13	13	0
6	Irrigation	52	50	(2)
7	Net Load	3,174	3,176	2
8	Gross Load	3,482	3,484	2
9	Gross Loss (%)	8.84	8.84	0
10	Winter Peak (MW)	697	698	1
11	Summer Peak (MW)	560	560	0
12	Total Revenue (\$000s)	\$239,873	\$240,310	\$437

- 1 Gross system load for the 2009 forecast is up 3 GWh, and for the 2010 forecast up 2
2 GWh from the October Filing. Sales and load expectations for the Wholesale and
3 General Service classes improved in August and September 2009, while 2009 Industrial
4 sales have continued to fall. While there are worsening expectations for the BC
5 economy in 2009, some recovery is expected in 2010 for housing starts and GDP.
- 6 Sales revenue by customer class for 2009 is based on actual revenue to September 30
7 adjusted for unbilled amounts and estimated revenue amounts for October through
8 December. The sales revenue in each of 2009 and 2010 (at 2009 rates) is forecast to
9 increase by \$0.4 million from the October Filing.

- 1 **Power Purchases** - (Tab 6)
 2 The November Update 2009 Power Purchase Forecast is lower by \$0.563 million than
 3 the October Filing while 2010 is lower by \$0.099 million.

2009 Power Purchases Forecast

		2009		
		October Filing	November Update	Change
		(\$000s)		
1	Surplus Revenues	(765)	(773)	(8)
2	Brilliant	31,090	31,095	5
3	BC Hydro	35,433	34,846	(587)
4	Market Spot Purchase & Capacity Purchases	4,927	4,905	(22)
5	Independent Power Purchasers	592	787	195
6	Capital Projects	(205)	(581)	(376)
7	BC Hydro Deferred Charges & Bill Credits	0	(20)	(20)
8	Special Accounting Adjustments	(39)	164	203
9	Export Sales Wheeling Adjustment	13	13	0
10	Balancing Pool	(845)	(798)	47
11	Total	70,201	69,638	(563)

- 4 The primary reasons for the reduction in the 2009 Power Purchase forecast are reduced
 5 BC Hydro purchases of \$0.587 million due to increased purchases from Independent
 6 Power Producers and Columbia Power Corporation loss recoveries of 6 GWh and
 7 increased capital project recoveries of \$0.376 million due to transmission losses from
 8 the 11 Line work that concluded recently. This is partially offset by a \$0.203 million
 9 increase in special adjustments which is mainly the result of an accounting charge
 10 related to a disputed BCTC operating reserve call denial and increased adjustments for
 11 items such as exchange rate variance. Finally, increased balancing pool adjustments of
 12 \$0.047 million reflect a slightly higher use of stored entitlement energy.

2010 Power Purchase Forecast

		2010		
		October Filing	November Update	Change
		(\$000s)		
1	Surplus Revenues	(670)	(696)	(26)
2	Brilliant	33,217	33,217	0
3	BC Hydro	41,945	41,970	25
4	Market Spot Purchase & Capacity Purchases	2,452	2,619	167
5	Independent Power Purchasers	405	405	0
6	Capital Projects	0	(265)	(265)
7	Special Accounting Adjustments	0	0	0
8	Balancing Pool	(125)	(125)	0
9	Total	77,224	77,125	(99)

- 1 2010 Power Purchase expense is forecast to be \$0.099 million lower than the October
2 Filing. Increased market purchase costs of \$0.167 million due to higher 2010 rate
3 forecasts are offset by \$0.265 million in capital recoveries from the Upgrade and Life
4 Extension (“ULE”) program. The Increased forecast load of 2 GWh is offset by new
5 entitlement resource from the ULE program of 2 GWh.

1 **Capital Expenditures - (Tab 7)**

2 Forecast capital expenditures have increased from the October Filing by \$0.5 million in
 3 2009 and are virtually unchanged in 2010. The updated estimates reflect actual capital
 4 expenditures to September 30, 2009 with forecast expenditures to year-end, and
 5 updated estimates for 2010.

6 The following tables provide the changes in forecast capital expenditures between the
 7 October Filing and November Update for 2009 and 2010 respectively. A discussion of
 8 the reasons for the changes follows each table.

2009 Capital Expenditure Forecast

		2009		
		October Filing	November Update	Change
		(\$000s)		
1	Generation	20,225	19,873	(352)
2	Transmission and Stations	52,020	52,681	661
3	Distribution	23,105	23,609	504
4	Telecom, SCADA, Protection and Control	2,866	2,754	(112)
6	Information Systems	4,495	4,416	(79)
7	General Plant	4,742	4,764	22
8	Demand Side Management	2,513	2,413	(100)
9	Total	109,966	110,510	544

9 The increase in the 2009 Capital Expenditures is primarily the result of increases in the
 10 forecasts for Transmission and Stations and Distribution expenditures offset by
 11 decreases in Generation, Telecommunications, SCADA, Protection and Control.
 12 Transmission Growth, specifically the OTR project, has forecast increased expenditures
 13 as has Distribution Sustaining. These increases are offset by decreased forecasts in
 14 Transmission Sustaining and Stations as some work is rescheduled to 2010. Reduced
 15 Generation expenditures are the result of reduction in forecast project costs and the
 16 rescheduling of work to 2010.

2010 Capital Expenditure Forecast

		2010		
		October Filing	November Update	Change
		(\$000s)		
1	Generation	19,103	19,263	160
2	Transmission and Stations	91,827	91,711	(116)
3	Distribution	29,469	29,469	0
4	Telecom, SCADA, Protection and Control	2,283	2,283	0
6	Information Systems	4,494	4,494	0
7	General Plant	7,094	7,094	0
8	Demand Side Management	2,826	2,826	0
9	Total	157,096	157,140	44

- 1 The increase in 2010 Capital Expenditures is primarily the result of re-scheduling of
- 2 work to 2010 from 2009 for a small number of projects.

- 1 **Performance Standards - (Tab 8)**
- 2 FortisBC has updated its target and forecast results for the 2009 Performance
- 3 Standards based on actual results to September 30, 2009. The following table has
- 4 been updated to reflect actual results for 2009. FortisBC has met 12 of 13 targets.

Updated 2009 Performance Standard Results

Performance Standard	Target	Forecast	Actual Result	Result
All Injury Frequency Rate	2.08	1.60	1.61	✓
Injury Severity Rate	17.53 ⁽¹⁾	16.40	16.57	✓
Recordable Vehicle Incidents	1.77	1.76	1.65	✓
System Average Interruption Duration Index	2.54	1.85	2.14	✓
System Average Interruption Frequency Index	2.80	1.49	1.53	✓
Generator Forced Outage Rate	0.35%	0.83%	0.79%	x
Billing Accuracy – percentage of bills rejected by system	0.072%	0.043%	0.043%	✓
Meters Read as Scheduled	97%	98%	98%	✓
Contact Center – percentage of calls answered within 30 seconds	70%	70%	70%	✓
Emergency Response Time – percentage of calls responded to within 2 hours	85%	92%	90%	✓
Residential Service Connections – percentage connected within 6 working days	85%	91%	90%	✓
Residential Extensions – percentage quoted within 35 working days	89%	96%	96%	✓
Residential Extensions – percentage connected within 30 working days	85%	95%	95%	✓

✓ = target met

x = target not met

⁽¹⁾ Target as per the Negotiated Settlement Agreement, Commission Order No. G-147-07.

- 1 The 2010 Performance Standards targets, updated for 2009 actual results, are as
- 2 follows:

Updated 2010 Targets

Performance Standard	Actual Target
All Injury Frequency Rate	1.92 ⁽¹⁾
Injury Severity Rate	25.54 ⁽¹⁾
Recordable Vehicle Incidents	1.44 ⁽¹⁾
System Average Interruption Duration Index	2.50 ⁽¹⁾
System Average Interruption Frequency Index	2.18 ⁽¹⁾
Generator Forced Outage Rate	0.35%
Billing Accuracy – percentage of bills delayed beyond the regular bill schedule	0.072%
Meters Read as Scheduled	97%
Contact Center – percentage of calls answered within 30 seconds	70%
Emergency Response Time – percentage of calls responded to within 2 hours	85%
Residential Service Connections – percentage connected within 6 working days	85%
Residential Extensions – percentage quoted within 35 working days	94% ⁽¹⁾
Residential Extensions – percentage connected within 30 working days	92% ⁽¹⁾

⁽¹⁾ These targets are based on the average of the past three year historical results from October 1, 2007 – September 30, 2009.