

March 28, 2008

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

Dear Ms. Hamilton:

**Re: *Application for a CPCN for the Advanced Metering Infrastructure (AMI)  
Project No. 3698493 - Errata***

Please find attached replacement pages for Exhibits B-2 and B-3, containing the following errata.

- 1 Exhibit B-2 BCUC IR No. 1, A12.0, Page 23**  
Table C1 is revised. Please note that the correction was previously provided in the response to BCUC IR No. 2 Q13.0 (Exhibit B-3).
- 2 Exhibit B-3 BCUC IR No. 2, A9.6, Page 21**  
Table A9.6 is revised.
- 3 Exhibit B-3 BCOAPO IR No. 2 A21.5, Page 5, Line 9**  
"\$138,000" should read "\$4.4 million"

Sincerely,



Dennis Swanson  
Director, Regulatory Affairs

cc: Registered Intervenors

1           **Set C – Capital Cost Sensitivities**

2           Capital cost sensitivities under Set C were examined by expressing the values  
3           in nominal dollars and varying the timing and capital cost of the project. All  
4           scenarios were analyzed using an 8.0 percent discount rate.

5           **Scenario C1 – Defer the Project**

6           Three scenarios were examined in this analysis:

- 7           • Defer the project one year
- 8           • Defer the project three years
- 9           • Defer the project five years

10           In each case the net benefit of the project is eroded due to the delay in realizing  
11           reduced operating costs associated with the project.

C1 Defer Project	CPCN	Defer One	Defer Three	Defer Five
	Application	Year	Years	Years
	<i>(In Nominal \$000s)</i>			
Status Quo	48,830	48,830	48,830	48,830
AMI	41,188	41,274	41,352	41,426
Net Benefit (Cost)	7,642	7,556	7,479	7,404

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12           **Scenario C2 – Capital Cost Sensitivity**

13           Capital cost uncertainty was analyzed at a macro level by varying the total  
14           capital cost by 10.0 and 20.0 percent around the CPCN estimates.

15           Every change of plus or minus 10 percent in the capital cost will decrease or  
16           increase the net benefit of the project by approximately \$2.7 million  
17           respectively.

**Project No. 3698493:** Advanced Metering Infrastructure (AMI) Project

**Requestor Name:** BC Utilities Commission

**Information Request No:** 2

**To:** FortisBC Inc.

**Request Date:** March 5, 2008

**Response Date:** ~~March 19, 2008~~ March 28, 2008 Erratum

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**Table A9.6 Revised: Comparison of Table 6.3 in FortisAlberta Application**

Description	FortisAlberta AMI	FortisBC AMI
		\$
<b>Capital Expenditures</b>		
Capital Expenditures	252	290
Capital Offsets	(12)	0 <sup>(1)</sup>
Corporate E&S	18	N/A
<b>Net Capital Expenditures</b>	<b>258</b>	<b>290</b>
<b>Operating Expense</b>		
Operating Expense	102	63
Operating Offsets (Savings)	(33)	(6)
<b>Net Operating Expense</b>	<b>69</b>	<b>57</b>

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1 Notes:

2 <sup>(1)</sup>This category reflects the savings with avoided Itron upgrades of (\$12 per  
3 meter) offset by the incremental costs of new meters over the life of the project of  
4 \$12 per meter.

5 There are a number of possible reasons for variances in costs between utilities  
6 that were listed in the response to BCUC IR No. 1 Q15.2 (Exhibit B-2) that  
7 cannot be quantified. For example, there is no way to determine how much  
8 impact if any, the terrain of FortisBC's service area versus FortisAlberta's had an  
9 impact on cost. A number of reasons for identified differences are listed in the  
10 response to BCUC IR No. 2 Q9.5.

**Project No. 3698493:** Advanced Metering Infrastructure (AMI) Project

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- 1                   • Southern California Edison.

2 **Q18.1 Please re-do the rate impact analysis using a 15 year amortization period**  
3 **for smart meters as prescribed by the OEB for the Brampton Hydro**  
4 **analysis (see Appendix 15.2.2, second last page). Note: Please clearly**  
5 **indicate assumptions regarding smart meter replacement costs after year**  
6 **15.**

7 A21.5 Assuming a 1.0 percent real escalation rate on labour and a 3.0 percent real  
8 escalation rate on vehicle costs and a 15 year amortization period results in a  
9 real NPV cost of the project of approximately \$4.4 million. The amortization  
10 period would not impact the replacement costs after year 15 since the service  
11 life of the meters is 25 years.

12 **Q18.2 Please reconcile the 28.6 year life for a smart meter as quoted in BCUC IR**  
13 **#15.1 versus the 25 year life quoted in BCUC IR #17.3.2.**

14 A21.6 The two values are not directly comparable. The 28.6 years noted in the  
15 response to BCUC IR No. 1 Q15.1 (Exhibit B-2) refers to the number of years  
16 over which the remaining net book value will be depreciated. That value was  
17 derived in the 2005 Depreciation Study by dividing the remaining net book  
18 value of the meters by the composite remaining life yielding an effective 3.5  
19 percent annual accrual rate.

20 A survivor curve is a graphical representation of the number of property units (in  
21 this case meters) that exist at each age over the life of the original group of  
22 assets. There are a number survivor curves used in estimating depreciation  
23 commonly known as lowa type curves. Once the survivor curve is established a  
24 number of other estimates including the average life and the remaining life  
25 expectancy of the group can be calculated. The 25 year life noted in response

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