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July 17, 2007

Via Email
Original via Courier

Mr. R.J. Pellatt
Commission Secretary
BC Utilities Commission
Sixth Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3

Dear Mr. Pellatt:

Re: FortisBC Inc. ("FortisBC") Naramata Substation Project

Please find enclosed for filing twenty copies of FortisBC's Opening Statement for the Oral Public Hearing to be held in Penticton on July 24, 2007.

Sincerely,

(original signed by J. Martin)

David Bennett
Vice President Regulatory Affairs
and General Counsel

cc: Registered Intervenors

**OPENING STATEMENT OF FORTISBC INC.
NARAMATA SUBSTATION PROJECT INQUIRY**

My name is Doyle Sam and I am the Vice President of Transmission and Distribution for FortisBC Inc.

The Company believes it would be helpful to file this Opening Statement in this proceeding prior to the Oral Hearing in order to outline the history of the steps taken toward the construction of a new substation in Naramata and to identify some of the key issues and interests that must be weighed and balanced in the decision as to whether the new Naramata substation should be constructed at the Fire Hall site or the Arawana Road site. It is hoped that, with this information in hand, parties will be able to understand clearly FortisBC's position in regard to the issues to be considered at this Inquiry.

The fact that Naramata needs a new substation has already been demonstrated. FortisBC sought approval for the Naramata Substation Project from the Commission in 2005. The Project was approved by the Commission as part of its approval of the 2005 Revenue Requirements, System Development Plan and Resource Plan Application, which included the 2005 Capital Expenditure Plan (Order G-52-05).

Following Commission approval of a new Naramata substation, FortisBC began the work of identifying and investigating possible sites for the new substation.

There were approximately 20 sites initially investigated and considered. Out of these 20 possible sites, 7 were subject to closer investigation. These investigations included discussions with local government and area residents. One site was the subject of an application by FortisBC for non-farm use within the Agricultural Land Reserve. This application was denied and that site was then eliminated, leaving the Fire Hall site and the Arawana Road site for further consideration. The Fire Hall site was not a preferred site mainly because of its limited size. The Arawana Road site was then selected as the preferred location for the new substation.

FortisBC understood that the Naramata community was concerned about visual impacts of a new substation and believed that the Arawana Road site had the least visual impact for the broader

community. People can differ on judgments as to the visual impact of a substation; however, FortisBC's view was that, in considering visual impact alone, the Arawana Road site was preferable. There are other advantages to the Arawana Road site discussed below.

Throughout the fall of 2006, FortisBC continued to work toward the development of a new Naramata substation and obtained a decision from the Regional District of Okanagan South's Naramata Advisory Planning Committee supporting a rezoning application for the Arawana Road site. The Advisory Planning Committee indicated that the Arawana Road site was acceptable to the Advisory Planning Committee if the Fire Hall site was determined to be unsuitable.

At the direction of the BCUC, FortisBC continued to consider the two sites and, in particular, the practical and technical challenges arising from the Fire Hall site. The process that would need to be undertaken in order to obtain the necessary land from the Provincial Government was also reviewed. Two parcels of land would need to be acquired for the Fire Hall site. One parcel of land is under the control of the Ministry of Transportation; the other is controlled by the Integrated Land Management Bureau. The Ministry of Transportation had previously indicated that it may not be prepared to sell the parcel it owns. Presently, it is understood that the Ministry of Transportation may now be prepared to sell the land and that the time to acquire the land is now reduced.

The size constraints at the Fire Hall site are a concern. Modern substation safety and design standards require a minimum amount of land to place a substation. The Fire Hall site does not allow for the minimum amount of land required and therefore, although it is technically feasible to place a substation at the Fire Hall site, it is not desirable to do so from an operational point of view. The configuration and size of the Fire Hall site give rise to operational and safety challenges that are not present at the Arawana Road site.

FortisBC believes that the cost of construction and operation would be higher for the Fire Hall site in comparison to the Arawana Road site. Even if the transmission tie to the Arawana Road site is placed underground, the Fire Hall site would still be more costly to build. In regard to undergrounding, it must be stated that the Company's Tariff provides that the Company is an overhead wire utility. The Tariff does not authorize the Company to construct the transmission

line underground except at the request of a customer agreeing to pay those costs, for reasons of safety or operational concerns, or at the direction of the Commission. The Company has identified the cost of undergrounding for various route options but should not be taken to be proposing an underground transmission line in this proceeding.

The Arawana Road site has the advantages of presenting FortisBC with a suitably sized parcel of land in order to avoid the operational and safety concerns arising from the constraints of the Fire Hall site. From a construction and operation point of view, the Arawana Road site is a very good site for a substation. However, it does present the concerns of local residents regarding the aesthetic impact arising from the substation and the transmission line that would need to be constructed from the existing transmission facilities to the Arawana Road site, either across portions of agricultural land or along Arawana Road.

FortisBC understands the concerns of residents as to the potential impacts arising from the transmission line that would need to be built to the Arawana Road site. They are a very important part of the balancing to be undertaken in making decisions as to the site to be selected for the construction of new electrical facilities to meet the growth that we are experiencing in the Okanagan Valley. The Company believes that the transmission line, which requires a small number of structures, can be constructed and maintained in a manner that minimizes disruption to the property and land usage of the owners.

FortisBC has an obligation to deliver electricity to the customers of the Okanagan Valley and needs to build new facilities to meet growth in the area. FortisBC cannot avoid building new facilities because they give rise to the concerns of local residents who would rather have new facilities built at other locations. As I stated, the Company can and will work with landowners to minimize the impact of the facilities.

The three main options for consideration at this Inquiry are as follows:

1. The Fire Hall site;
2. The Arawana Road site with an above ground or underground cross-country transmission tie; and
3. The Arawana Road site with an above ground or underground transmission tie constructed along Arawana Road.

Not one of these options will attract the unanimous agreement of stakeholders and the residents of the Naramata area. There have been more objections voiced against the Arawana Road site than the Fire Hall site, however, this is no doubt due to the fact that FortisBC has purchased the Arawana Road site and has stated that this site is the preferred option for the construction of the new substation. No doubt a decision to construct the new substation at the Fire Hall Site will also attract a number of concerns and objections. No site is perfect and any site will have its detractors. However, the Company chose the Arawana Road site because of, among other things, its technical advantages over the Fire Hall site, because it is a less costly option than the Fire Hall site and because the Company believes the visual impact of the transmission and distribution lines and the substation to the entire community is less at the Arawana Road site than the visual impact of the Fire Hall site. The Fire Hall site is not only prominently located on the main access road to the community, but also presents less opportunity for visual screening.

FortisBC will construct the new Naramata substation on the site that is approved at the conclusion of this Inquiry. This Inquiry gives stakeholders and interested parties a good opportunity to put forward their position as to how they would balance the competing interests involved in the decision as to the site to select, including the issues of the challenges arising from the size and shape of the Fire Hall site, the aesthetic impacts said to arise from the Arawana Road site and the differences in the cost of the construction between the two sites.

FortisBC looks forward to stakeholders having the opportunity to make submissions on these issues followed by a decision selecting the site by the Commission so that FortisBC can proceed to build the much needed new substation.

That concludes my Opening Statement.