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Our File No.: 05497-0150

August 17, 2007

BC Utilities Commission
6th Floor, 900 Howe Street, Box 250
Vancouver, BC V6Z 2N3

Attention: R. J. Pellatt
Commission Secretary

Dear Sirs/Mesdames:

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

Please find enclosed 20 copies of FortisBC's Reply Argument in regard to the above captioned matter.

Yours truly,

FARRIS, VAUGHAN, WILLS & MURPHY LLP

Per:



Robert J. McDonell

RJM/sc

Enclosures

c.c.: Registered Intervenors
Paul Miller
William Andrews

NARAMATA SUBSTATION INQUIRY

REPLY ARGUMENT OF FORTISBC INC.

A. INTRODUCTION

1. FortisBC Inc. (“FortisBC” or “the Company”) wishes to respond to the Final Written Arguments of Naramatians Against Fortis Substation (“NAFS”), D. Andrew and Bliss and Hellen Thompson.

2. In reply, it remains FortisBC’s submission that the Arawana Road site is the better site for a new substation when compared to the Fire Hall site.

B. REPLY TO D. ANDREW FINAL WRITTEN ARGUMENT

3. Mr. Andrew’s submission is directed toward the impact on his property of the transmission line to the Arawana Road site if the transmission line is constructed along the direct cross-country route. Other than to describe the substation as “poorly placed”, Mr. Andrew makes no submission, expressly, as to which substation site, the Arawana Road site or the Fire Hall site, is the better site.

4. In his submission, Mr. Andrew states FortisBC is “insensitive” to the Andrews’ love of their land. This statement is both inaccurate and unfair. In the Company’s written argument, it expressly acknowledges that the major issue arising from the Arawana Road site is the impact the cross-country transmission line would have on the Andrew property and the other two properties directly impacted by that route. (FortisBC Final Written Argument, page 2, paragraph 8)

5. In his submission, Mr. Andrew states that there is no evidence FortisBC would consider his private property rights. The evidence of FortisBC identifies the ownership interests of Mr. Andrew and the need to acquire rights from Mr. Andrew prior to any use of his property. (FortisBC Final Written Argument, page 10, paragraph 33) FortisBC respects the private property rights of owners with whom it has right of way agreements. There is no basis for Mr. Andrew to submit that FortisBC does not acknowledge nor respect his property rights.

C. **REPLY TO FINAL WRITTEN ARGUMENT OF BLISS AND HELLEN
THOMPSON**

6. While referring to the visual impact of a substation at the Arawana Road site, the Thompsons' Final Written Argument also focuses primarily on the impact of the cross-country transmission line. However, while the concerns of Mr. Andrew primarily relate to the aesthetic impact of the transmission line on the viewscape and the rural character of the land, the Thompsons' Final Written Argument expresses concern regarding the transmission line possibly impairing future subdivision of their land and the price to be paid by FortisBC to acquire rights of way. The Thompson's Final Written Argument recognizes the changes in land use now occurring and the increased residential use of land in the area, which, it is submitted, contributes to the increased demand for electricity services.

7. The rhetorical question in the Thompson Final Written Argument as to whether FortisBC negotiates for land rights by a "form of blackmail" is highly inappropriate. Moreover, the Thompsons' suggestion that an offer by a utility to

pay a higher price for land rights so that the utility can avoid the costs of the expropriation process is a “form of blackmail” is illogical.

8. In reply to the Thompsons’ Argument that a substation at the Arawana Road site could be “hidden” by a few pine trees, FortisBC has never suggested that the substation could be “hidden” but has stated that the Arawana Road site presents an opportunity for screening with vegetation.

D. REPLY TO NAFS FINAL WRITTEN ARGUMENT

9. The bulk of the Final Written Argument of NAFS relates a history of the process leading up to the Commission’s determination to convene an inquiry pursuant to section 82 of the *Utilities Commission Act* and, in particular, the chronology of matters relating to public consultation. NAFS’ chronology reflects the increasing level of available detail and the extensive analysis undertaken by FortisBC in regard to the two sites in order best to respond to the concerns of local residents. In particular, the chronology records FortisBC’s analysis of the Fire Hall site and

its potential as a substation site in response to community concerns while, at the same time, recognizing the challenges arising from that site.

10. It is submitted the question for this Inquiry involves a determination as to which of the two sites in issue is the better site. This question is not answered by analyzing the public process prior to the Commission Order establishing the Inquiry nor should the best site be determined by which petition has the greater number of signatures. The Panel should certainly seriously consider the evidence from members of the local community; however, it is submitted that evidence should be considered within the scope of the Issues List, which does not include pre-hearing consultation. It is respectfully submitted that weighing the evidence in the context of the matters identified on the Issues List will lead to the best decision.

11. By way of general reply, it is submitted the NAFS Final Written Argument can be fairly summarized as follows:

- (a) NAFS is against the Arawana Road site;

- (b) If the Commission selects the Arawana Road site, NAFS favours a transmission tie underground along Arawana Road with an underground distribution feeder;
- (c) If the Arawana Road site is selected, NAFS argues in favour of a consultation process relating to mitigation of the impacts of the substation at the Arawana Road site; and
- (d) NAFS takes the position that the evidence of local residents against the Fire Hall site is not evidence that the Arawana Road site is to be preferred. It is submitted NAFS, in its argument, is dismissive of the evidence from the community against the Fire Hall site (Exhibits C13-2 and C13-3) without good reason. NAFS does this notwithstanding the fact that the evidence against the Fire Hall site is of the same character and nature as its own evidence against the Arawana Road site, i.e. evidence of local residents concerned about the visual aesthetic impact of a substation experienced by driving or walking by the substation (Transcript, page 226, line 16 – page 228, line 3).

12. There are a number of statements in the NAFS Final Written Argument to which FortisBC wishes to specifically reply.

13. In reply to the NAFS Final Written Argument relating to FortisBC's concern as to a lack of availability for expansion at the Fire Hall site, this concern arises beyond the current planning horizon. The Fire Hall site is of sufficient size to accommodate demand within the present (20 year) planning horizon, however, as stated in FortisBC's Final Written Argument (page 4, paragraph 16), the space available is likely not adequate to accommodate demand arising in a 40-50 year planning horizon, a more suitable period of time to consider in the selection of a site for a new substation, particularly in a developing area.

14. In reply to paragraph 16 of the NAFS Final Written Argument, the Arawana Road site was not given a negative rating in regard to proximity to existing transmission and distribution systems because it is within a distance from existing systems typically considered by FortisBC, including distances commonly used when considering proximity to the centre of load demand.

15. In reply to paragraph 45(b) of the NAFS Final Written Argument, to its knowledge, FortisBC has never represented the Advisory Planning Committee (“APC”) as the decision maker in regard to the rezoning of land in Naramata. Only the Regional District of the Okanagan South (“RDOS”) has that jurisdiction. The use of the words “Advisory” and “Planning” in the title of the committee indicates its role as less than a decision making body.

16. In reply to paragraph 45(c) of the NAFS Final Written Argument, it is submitted that the description of the Arawana Road site as “universally unpopular” is an overstatement of the evidence, especially given the petition filed in this Inquiry, which is considering only the two sites, by a community of residents opposing the Fire Hall site (Exhibit C13-3).

17. In reply to paragraph 49(b) of the NAFS Final Written Argument, FortisBC has not suggested, in the context of the APC’s references as to the Fire Hall site possibly being deemed unsuitable, that this determination was for FortisBC to make.

18. In reply to paragraph 61 of the NAFS Final Written Argument, FortisBC submits that no rate increase can be described as “insignificant”, as NAFS suggests.

19. In reply to paragraphs 62 and 122 of the NAFS Final Written Argument, FortisBC takes issue with NAFS’ submission that the NAFS evidence should be accepted over the FortisBC evidence because, in NAFS’ submission, FortisBC’s evidence amounts to mere “argument” or “assertions”. While FortisBC has expressed a preference for the Arawana Road site and has stated reasons for that preference, the Company has stated it will, of course, accept the Commission’s determination as to which site should be selected. It is respectfully submitted the NAFS evidence at the Hearing from members living near the Arawana Road site is less objective and given from a much greater position of self interest than the evidence of FortisBC which has indicated it will accept either site.

20. In reply to paragraph 63 of the NAFS Final Written Argument, as stated by FortisBC in its Opening Statement (Exhibit B-9), the Fire Hall site is a technically feasible site but is not a desirable site.

21. In reply to paragraph 70 of the NAFS Final Written Argument, FortisBC denies that substations at either of the Fire Hall or Arawana Road sites would amount to what NAFS describes as “overbuilding”.

22. In reply to paragraph 85 of the NAFS Final Written Argument, FortisBC disputes that the evidence of NAFS favouring the Fire Hall site, while advocating the primary object of opposing the Arawana Road site, should be considered as objective support for the Fire Hall site.

23. In reply to paragraph 111 of the NAFS Final Written Argument, FortisBC submits that there is a limit to the degree of consultation that can be practically undertaken in regard to mitigating aesthetic impacts at the design, engineering or construction stages of a substation. This is, in part, because concerns of local residents are not the same; local residents have different, sometimes inconsistent, interests and concerns, all of which could not be accommodated by consultation at design or construction stages.

24. FortisBC agrees, in the final design of the substation, to the extent reasonably practical, to mitigate the aesthetic impacts of the substation at the site selected by the Commission, including by way of site grading.

25. At paragraph 119 of the NAFS Final Written Argument, wherein NAFS states the Fire Hall site has the advantage of being along an existing utility corridor, it is submitted that this fact may be the only advantage the Fire Hall site enjoys over the Arawana Road site.

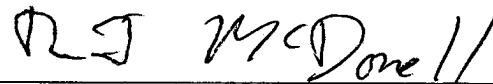
26. In reply to paragraph 121 of the NAFS Final Written Argument, the larger size of the Arawana Road site provides the opportunity of using the space available to best locate the works and facilities at the substation so as to mitigate the visual aesthetic impact of the substation.

E. CONCLUSION

27. Having considered the arguments submitted by the Intervenors, FortisBC maintains the submission in its Final Written Argument that the Arawana Road site is superior and looks forward to the Commission's determination and order as

requested in FortisBC's Final Written Argument so that the Company may proceed to build a new Naramata substation.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

Handwritten signature of Robert J. McDonell in black ink, written over a horizontal line.

Robert J. McDonell
Counsel for FortisBC Inc.

August 17, 2007