

September 29, 2008

Via Email
Original via Courier

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 the 2009-2010 Capital Expenditure Plan Project No. 3698519

Please find enclosed FortisBC Inc.'s Reply Argument with regard to the above noted project. Twenty copies will be couriered to the Commission.

Sincerely,



Dennis Swanson
Director, Regulatory Affairs

cc: Registered Intervenors

REPLY SUBMISSION OF FORTISBC INC. IN SUPPORT OF
THE 2009 – 2010 CAPITAL EXPENDITURE PLAN

INTRODUCTION

1. FortisBC Inc. ("FortisBC" or the "Company") wishes to reply to the final submissions of the BC Old Age Pensioners' Organization et al., the Interior Municipal Electric Utilities, the Okanagan Environmental Industrial Alliance, Mrs. Beryl Goodman and Mr. Alan Wait.

**REPLY TO BC OLD AGE PENSIONERS ORGANIZATION ET AL.
("BCOAPO")**

2. In its submission, BCOAPO requests clarification regarding FortisBC's generator upgrades. An upgrade, as referred to in response to BCUC Information Request No. 2 Q149.7 (Exhibit B-4, page 109), will result in a capacity increase, however, the response is general in nature and refers to past projects completed prior to those described in the 2009-2010 Plan, which are Life Extensions only. The response to BCOAPO Information Request No. 1 Q4.1 (Exhibit B-4, page 4), refers specifically to South Slocan Units 1 and 3 and Corra Linn Units 1 and 2, which are Life Extensions only and thus have no associated capacity increases.
3. BCOAPO also requests confirmation that FortisBC will adjust its planned expenditures for Transmission Line Right of Way Reclamation (reductions of \$82,000 and \$106,000 respectively in 2009 and 2010 and Distribution Line Rehabilitation (corresponding reductions of \$276,000 and \$261,000) as identified in Exhibit B-4 (responses to BCUC Information Request No. 2 Q103.1, page 8 and BCOAPO Information Request No. 1 Q 16.2, page 11). The Company confirms that it will make the adjustments. A revised Table 1.1 is presented below.

Revised Table 1.1
2009/10 Capital Expenditures Plan

	2009 Expenditures	2010 Expenditures	Future Expenditures
	(\$millions)		
Generation	21.9	22.6	24.7
Transmission and Stations	96.0	88.6	3.0
Distribution	27.9	33.5	
Telecom, SCADA, Protection and Control	2.2	2.2	1.6
Demand Side Management	2.5	2.7	
General Plant	27.8	31.2	
TOTAL Capital	178.4	180.7	29.3
Annual Operating Savings	0.2	0.72	

4. BCOAPO requests clarification of the Company's proposed treatment of expenditures for the Aesthetic and Environmental Upgrade program. The impact of removing this expenditure from the 2009/10 Capital Plan, if ordered, would be to reduce revenue requirements by the amount of the associated components (financing and income tax) on a forecast basis. Actual expenditures, however, would be included in rate base and subsequent years' revenue requirements.
5. FortisBC acknowledges BCOAPO's comments with regard to accessibility of low-income customers to Demand Side Management programs.

REPLY TO INTERIOR MUNICIPAL ELECTRIC UTILITIES ("IMEU")

6. IMEU states its overall agreement with the 2009/10 Capital Plan on the basis of the work being required for system reliability.

7. IMEU agrees with the 20 Line Rebuild and 27 Line Rebuild projects which will improve system reliability. IMEU also agrees with the Advanced Metering Infrastructure and Okanagan Transmission Reinforcement projects, which are the subjects of applications for Certificates of Public Convenience and Necessity and are awaiting Commission decisions.
8. The primary concern of IMEU is that of rate impact. The Company notes in its Final Submission that the majority of projects included in the 2009/10 Capital Plan are necessary to provide service; to ensure public and employee safety; and to provide a reliable supply to the Company's growing customer base. The response to BCUC Information Request No. 2 Q121.2 fully describes FortisBC's efforts to levelize annual capital expenditures and to mitigate associated rate impacts.

**REPLY TO OKANAGAN ENVIRONMENTAL INDUSTRY ALLIANCE
("OEIA")**

9. In its final submission, OEIA suggests that FortisBC does not consult with stakeholders in planning its Demand Side Management ("DSM") programs. FortisBC regularly consults with its various stakeholders through the DSM Advisory Committee, which consists of customer and industry representatives (Exhibit B-4, response to OEIA Information Request No. 1, Q8.3), and which includes a member of OEIA.
10. With respect to Contact Information for the DSM Programs, OEIA may refer to the response to OEIA Information Request No. 1, Q10.13 which contains the information requested.
11. OEIA's submissions include a large number of requests for information, which ought to have been addressed during the Information Request phase of the proceeding. The Commission in its letter dated September 18, 2008 (Exhibit A-4)

advised the OEIA that the Regulatory Timetable does not permit further Information Requests.

12. Similarly, many of OEIA's submissions, particularly in regard to the levels of DSM program targets and expenditures for 2009 and 2010, rely on evidence not previously introduced and which has not been tested in this proceeding.
13. FortisBC therefore submits that there is no basis in OEIA's submission upon which the proposed DSM expenditures included in the 2009/2010 Capital Plan should be amended.

REPLY TO MRS. GOODMAN

14. Mrs. Goodman states that she has no questions on the 2009/10 Capital Plan and acknowledges the need for FortisBC to meet ongoing load growth.

REPLY TO MR. WAIT

15. Mr. Wait comments on a small number of projects and recommends approval of the All Units Spare Transformer, the Christina Lake Feeder 1 Capacity Upgrade and the Corra Linn Unit 2 Life Extension projects. He states that a CPCN Application should not be required for the Corra Linn Unit 2 Life Extension project.
16. Mr. Wait states a concern for the supply to Penticton during the construction of the OTR project. FortisBC confirms that it will take all reasonable measures to reduce the risk of supply loss to Penticton, primarily by avoiding construction during peak seasons.

CONCLUSION

17. FortisBC submits, as in its final submission dated September 16, 2008, that its 2009-2010 Capital Expenditure Plan meets the requirements of the Utilities Commission Act and that the projects contained therein are in the public interest, and that therefore the Application should be approved as requested.

ALL OF WHICH IS RESPECTFULLY SUBMITTED

A handwritten signature in black ink, appearing to be 'DS' with a long horizontal flourish extending to the right.

Dennis Swanson

Director, Regulatory Affairs