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Our File No.: 05497-0162

July 27, 2010

**BY EMAIL**  
**(original via mail)**

BC Utilities Commission  
Sixth Floor, 900 Howe Street  
Vancouver, BC V6Z 2N3


**Attention: Erica M. Hamilton, Commission Secretary**

Dear Sirs/Mesdames:

**Re: FortisBC Inc.**  
**Project No. 3698564/Order G-139-09**  
**2009 Rate Design Application and Cost of Service Study**

Enclosed please find the Further Reply Argument of FortisBC Inc. dated July 27, 2010 with respect to the above-noted matter. Twenty hard copies will follow by mail.

FARRIS, VAUGHAN, WILLS & MURPHY LLP

Per:   
Ludmila B. Herbst

LBH/lb  
Enclosure  
c.c.: All Registered Intervenors

IN THE MATTER OF

the Utilities Commission Act, R.S.B.C. 1996, Chapter 473

and

An Application by FortisBC Inc.  
for Approval of a 2009 Rate Design and Cost of Service Analysis

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**FURTHER REPLY ARGUMENT OF FORTISBC INC.**  
**July 27, 2010**

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Counsel for FortisBC Inc.

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1. FortisBC Inc. ("**FortisBC**") was provided with the opportunity to file a further reply on or before July 27, 2010 if an argument in an Intervenor-to-Intervenor reply focused on a submission that FortisBC had made (Transcript Volume 6, p. 1131 ll. 3-13; Ex. A-27). Accordingly, FortisBC responds herein to para. 4 of the argument filed on July 23, 2010 by the British Columbia Municipal Electrical Utilities ("**BCMEU**"). That paragraph is directed to FortisBC's position regarding the relationship between itself and BCMEU members. In para. 4, BCMEU states:

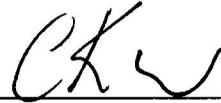
- (a) that it relies on an extra-contractual "obligation to serve" of the nature described by Zellstoff Celgar Limited Partnership ("**Celgar**"). (Celgar provided this description in the context of seeking to limit the Commission's power to restrict the supply of embedded cost power to a self-generating customer.); and
- (b) that Summerland (and others to whom BCMEU extrapolates the observation below) "would expect that, under the monopoly concept of obligation to serve, FBC would be obligated to ensure its system met customer service needs, nothing more, nothing less".

2. Customer needs and utility obligations must be defined in the context of the contracts that the customer and utility have negotiated. Otherwise (a) contracts would have no meaning and (b) the parties to the municipal contracts relevant to this proceeding, in particular, would have gone through the process of negotiating, re-negotiating and extending them over many years for no purpose. With respect to BCMEU's related assertion in para. 4 that "Demand Limit" obligations are of "little to no contractual value to the BCMEU", see also paras. 16 and 24-32 of FBC's July 23, 2010 submission.

3. Further, as to BCMEU's statement of what Summerland (or others) "would expect", not only has Mr. Ostraat himself provided no evidence contrary to or qualifying the statement set out in para. 20 of FortisBC's June 30, 2010 submission, but Mr. Carle – who acknowledged that he was authorized to be a spokesman as if employed by each

of the five municipalities – testified that he does not believe they are prepared to give up the contract demand that they have re-nominated (Transcript Volume 6, p. 1064 I.4 – p. 1065 I.11; p. 1098 I.25 – p. 1099 I.2). To the extent BCMEU may be seeking in para. 4 of its argument to downplay Mr. Ostraat's statement because given during a "technical conference", no such informality could detract from Mr. Carle's statement, which was made under oath during the hearing. The evidence was also that BCMEU members have enjoyed other benefits prescribed only in the contracts, such as the upgrade requirement at the 95% threshold (Transcript Volume 2, p. 178 II. 3-10 (Mr. Chernikhowsky, Mr. Swanson); s. 6.06 at BCMEU Appendix A34.2 pp. 10, 32, 61, 91, 115 – Ex. B-3-3).

ALL OF WHICH IS RESPECTFULLY SUBMITTED.



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George K. Macintosh, Q.C.



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Ludmila B. Herbst

Dated: July 27, 2010