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March 21, 2013

Via Email
Original via Mail

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

Dear Ms. Hamilton:

Re: *FortisBC Inc. (FortisBC) Application for a Certificate of Public Convenience and Necessity (CPCN) for the Advanced Metering Infrastructure Project – Responses to BCPSO Information Request No. 3*

Please find attached FortisBC's responses to Information Request No. 3 from the British Columbia Pensioners' and Seniors' Organization et. al (BCPSO).

Sincerely,

A handwritten signature in black ink, appearing to be "D Swanson", written over a horizontal line.

Dennis Swanson
Director, Regulatory Affairs

cc: Registered Interveners

FortisBC Inc. (FortisBC or the Company) Application for a Certificate of Public Convenience and Necessity for the Advanced Metering Infrastructure Project	Submission Date: March 15, 2013
Response to British Columbia Pensioners' and Seniors' Organization et. al. (BCPSO) Information Request (IR) No. 3	Page 1

1 **1.0 Reference: Exhibit B-1-2, pages 1 and 3**

2 1.1 Please reconcile the \$3.5 M additional project cost referenced in these pages
3 with the commitment given in response to interrogatory BCPSO 2.8.1 from the
4 proceeding dealing with FortisBC's CPCN Application to purchase the City of
5 Kelowna's utility assets that the incremental capital cost of AMI will increase the
6 capital budget by only \$0.8 M.

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8 **Response:**

9 The initial AMI expenditure amount for City of Kelowna (CoK) was based on CoK's assessment
10 of approximately \$0.8 million (refer to response to BCUC IR1 Q14.5 from FortisBC's CPCN
11 Application to purchase the City of Kelowna's utility assets). This figure, which equates to
12 approximately \$55 per meter, may have been sufficient for a drive-by meter reading system but
13 not an AMI system.

14 A detailed cost analysis resulted in an addendum to the Company's AMI CPCN Application
15 (refer to Exhibit B-1-2) for an additional \$3.5 million to include the CoK customers. As indicated
16 in the response to BCPSO IR2 Q8.1 from the CoK CPCN proceeding, FortisBC believes that it
17 would be able to manage the increased CoK AMI expenditure and sustaining capital
18 expenditures within the overall estimate of \$30 million during the 2013-2017 period that the
19 Company expects to invest in the City's infrastructure development.

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22 **2.0 Reference: Exhibit B-1-2, page 3, Table 1.1.a**

23 2.1 Please provide a reference as to where in the evidence a schedule similar to
24 Table 1.1.a comparing the Status Quo vs. AMI (without COK) can be found. If
25 not currently in the evidence please provide such a schedule.

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27 **Response:**

28 Please see the following table:

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Table BCPSO IR3 Q2.1 – Summary Costs and Benefits without CoK

Costs and Benefits (Status Quo & AMI)				
		Status Quo	Gross AMI	Net AMI
Benefits		2012 NPV (\$000s)	2012 NPV (\$000s)	2012 NPV (\$000s)
	Meter Reading	31,947	8,162	(23,785)
	Theft Reduction	(59,968)	(98,355)	(38,386)
	Remote Disconnect/Reconnect	6,657	1,191	(5,466)
	Meter Exchanges	2,746	1,268	(1,478)
	Contact Centre	5,979	5,538	(441)
Costs				
	Operating Costs	-	14,320	14,320
	Depreciation Costs	14,215	30,679	16,464
	Carrying Costs	6,173	23,336	17,163
	Income Tax	(591)	3,391	3,982
Total		7,159	(10,470)	(17,629)
Capital Benefit				
	Measurement Canada Compliance	9,758	-	(9,758)

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5 **3.0 Reference: Exhibit B-1-2, page 4**

6 3.1 Does the purchase of COK's assets require the installation of additional
 7 collectors, range extenders or wide area network communication devices? If so,
 8 what are the costs and where are the costs reflected in Table 2.1.a?

9

10 **Response:**

11 Yes, additional network infrastructure, including collectors, range extenders and wide area
 12 network devices will be required. The associated costs of approximately \$163,000 are stated as
 13 "Network Infrastructure" in Table 2.1.a from Exhibit B-1-2.

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16 **4.0 Reference: Exhibit B-1-2, page 9**

17 4.1 Please provide schedules similar to Table 4.1.a and Table 4.1.b based on the
 18 original application (i.e. without COK).

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2 **Response:**

3 Table 4.1.a replicates the data presented in the application in Table 5.1.b (page 72). The data

4 presented in Table 4.1.b replicates the Status Quo and Gross AMI data presented in the

5 application in Table 7.5.a (page 119) and Net AMI data presented in the application in Table

6 7.5.b (page 120).

7 For ease of reference the data originally presented in the application in Tables 7.5.a and 7.5.b is

8 restated below:

9 **Table BCPSO IR3 Q4.1**

Summary: Status Quo, Gross and Net AMI						
Meter Reading Option	Dec-13	Dec-14	Dec-15	Dec-16	2017 - 2032	Total
	(\$000)					
<u>Status Quo</u>						
Capital	307	1,350	1,087	1,683	18,782	23,209
Operating Costs	3,752	4,062	4,127	4,294	87,408	107,313
Theft Reduction	(4,970)	(5,484)	(6,143)	(6,791)	(99,065)	(127,218)
<u>Gross AMI</u>						
Capital	13,891	17,376	18,018	868	18,094	68,247
Operating Costs	3,752	4,475	3,919	2,333	47,017	65,167
Theft Reduction	(5,353)	(6,471)	(7,855)	(9,626)	(186,854)	(220,923)
<u>Net AMI</u>						
Capital	13,584	16,026	16,931	(815)	(688)	45,037
Operating Costs	-	413	(208)	(1,961)	(40,390)	(42,146)
Theft Reduction	(383)	(987)	(1,711)	(2,835)	(87,789)	(93,705)

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13 4.2 Please provide a schedule that sets out the impact on each of the various items

14 shown in Table 4.1.a attributable specifically to the purchase of COK's assets

15 (i.e. the difference between Table 4.1.a and the response to part 4.1).

16

17 **Response:**

18 Please see the following table:

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Table BCPSO IR3 Q4.2

(Net AMI with CoK) - (Net AMI without CoK)	2013	2014	2015	2016	2017-2032	Total
Sustaining Capital						
	(\$000s)					
Meter Growth and Replacement	\$ -	\$ 12	\$ 14	\$ 12	\$ 619	\$ 655
Handheld Replacement	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
IT Hardware, Licencing, and Support Costs	\$ -	\$ 5	\$ 5	\$ 5	\$ 82	\$ 97
Measurement Canada Compliance	\$ (0)	\$ (96)	\$ (94)	\$ (174)	\$ (1,570)	\$ (1,935)
Total Capital	\$ (0)	\$ (78)	\$ (75)	\$ (158)	\$ (870)	\$ (1,183)
Operating Expenses						
	(\$000s)					
New Operating Costs	\$ -	\$ 9	\$ 9	\$ 9	\$ 176	\$ 204
Meter Reading	\$ -	\$ -	\$ (153)	\$ (343)	\$ (5,997)	\$ (6,493)
Remote Disconnect/Reconnect	\$ -	\$ (17)	\$ (52)	\$ (69)	\$ (1,533)	\$ (1,671)
Meter Exchanges	\$ -	\$ (35)	\$ (32)	\$ (42)	\$ (32)	\$ (140)
Contact Centre	\$ -	\$ (2)	\$ (4)	\$ (7)	\$ (149)	\$ (160)
Total Operating Expenses	\$ -	\$ (45)	\$ (232)	\$ (451)	\$ (7,535)	\$ (8,260)
Theft Reduction	\$ (48)	\$ (123)	\$ (214)	\$ (355)	\$ (17,629)	\$ (18,368)

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5 4.3 Please provide a schedule that sets out the impact on each of the various items
 6 shown in Table 4.1.b attributable specifically to the purchase of CoK's assets
 7 (i.e. the difference between Table 4.1.b and the response to part 4.1).

8

9 **Response:**

10 Please see the following table:

11

Table BCPSO IR3 Q4.3

Summary: (Status Quo, Gross and Net AMI with CoK) - (Status Quo, Gross and Net AMI without CoK)						
Meter Reading Option	Dec-13	Dec-14	Dec-15	Dec-16	2017 - 2032	Total
	(\$000)					
Status Quo						
Capital	3	119	117	200	1,973	2,411
Operating Costs	529	437	444	524	9,469	11,404
Theft Reduction	(621)	(685)	(768)	(849)	(12,383)	(15,902)
Gross AMI						
Capital	106	1,748	1,713	42	1,103	4,713
Operating Costs	529	393	213	75	1,795	3,005
Theft Reduction	(669)	(809)	(982)	(1,203)	(23,357)	(27,615)
Net AMI						
Capital	104	1,629	1,596	(157)	(870)	2,302
Operating Costs	-	(44)	(231)	(450)	(7,674)	(8,399)
Theft Reduction	(48)	(123)	(214)	(354)	(10,974)	(11,713)

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1 4.4 Please reconcile the changes shown in capital and operating costs for each of
2 the years 2014-2016 in response to parts 4.2 and 4.3 with those reported in
3 response to interrogatory BCPSO 2.10.2 from the proceeding dealing with
4 FortisBC's CPCN Application to purchase the City of Kelowna's utility assets.

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6 **Response:**

7 FortisBC notes that the referenced responses for BCPSO IR3 Q4.2 depicts sustaining capital
8 and operating and maintenance (O&M) costs, and does not include project capital costs. The
9 capital expenditures shown in the response to BCPSO IR3 Q4.3 includes both project capital
10 and sustaining capital. Both responses consider the impact of the acquisition of the City of
11 Kelowna (CoK) assets on the AMI Project.

12 The response to BCPSO IR2 Q10.2 from the proceeding for FortisBC's CPCN Application to
13 acquire the City of Kelowna's utility assets is in response to a query "assuming the AMI CPCN is
14 not approved" and includes consideration of both O&M and capital expenditures.

15 Please see the response to BCPSO IR3 Q1.1 for comments on the capital reconciliation.

16 Relative to O&M costs, BCPSO IR2 Q10.2 (CoK) is an estimate of additional meter reading
17 costs for City of Kelowna for the three year period 2015-2017 of approximately \$0.7 million,
18 which will be incurred in the absence of AMI. This response corresponds to the \$0.7 million
19 estimate (three year period of 2014-2016) provided in response to BCPSO IR3 Q4.2 which not
20 only depicts the reduction in O&M costs related to the advent of AMI, starting from the base
21 meter reading cost, but also includes AMI related O&M benefits that will be derived from
22 Remote Disconnect/Reconnect, Meter Exchanges, and the Contact Centre.