

# **FortisBC Inc.**

**Project No. 3698477-Order No. G-108-07  
Distribution Substation Automation Project  
Certificate of Public Convenience and Necessity**

## **Final Submission**

**by Alan Wait**

Dec. 11, 2007

**FortisBC Inc.**  
**Distribution Substation Automation CPCN**  
**Final Submission**

I believe that FortisBC has made a reasonable case for the proposed automation of their legacy substations, although I must say that the financial justification seems to leave more questions than answers. The reduced outage times and better information on the operating system in real time, that this project provides, does benefit the ratepayers beyond just financial savings.

However, this application has raised many questions with me about how the present Return on Equity (ROE) Sharing Mechanism works, and whether the mechanism is fair to both FortisBC and the ratepayers. I would urge the British Columbia Utilities Commission to have the ROE Sharing Mechanism reviewed publicly at the earliest opportunity.

The present Sharing Mechanism requires FortisBC to increase operating and maintenance efficiency each year. This is done through capital expenditures such as this CPCN project, for which the ratepayers will have to cover all the capital costs in the rates, but reduced operating costs beyond the required annual efficiency improvement are shared with FortisBC. I have not had much to say on the sharing mechanism in the past, as I had not taken the time to thoroughly understand the implications of the mechanism. This CPCN has really peaked my concerns as to whether the ROE sharing mechanism is properly structured.

by Alan Wait