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March 12, 2014

Via Email
Original via Mail

British Columbia Utilities Commission
Sixth Floor
900 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

Re: FortisBC Energy Inc. (FEI or the Company)

**Application for a Certificate of Public Convenience and Necessity (CPCN) for
the Huntingdon Station Bypass (the Application)**

FEI Reply Argument

In accordance with the Order G-11-14 setting out the Regulatory Timetable for this proceeding, please find enclosed the FEI Reply Argument.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (e-mail only): Registered Parties

BRITISH COLUMBIA UTILITIES COMMISSION

**IN THE MATTER OF the *Utilities Commission Act*,
R.S.B.C. 1996, Chapter 473 (the *Act*)**

and

**An Application by FortisBC Energy Inc.
for a Certificate of Public Convenience and Necessity
to Construct and Operate the Huntingdon Station Bypass**

REPLY SUBMISSIONS OF

FORTISBC ENERGY INC.

March 12, 2014

SUBMISSIONS OF FORTISBC ENERGY INC.

1. There are two interveners in this Application,¹ British Columbia Pensioners' and Seniors' Organization, Active Support Against Poverty, BC Coalition of People with Disabilities, Council of Senior Citizens' Organization of BC, and Tenant Resource of Advisory Center (collectively BCPSO), and Commercial Energy Consumers Association of British Columbia (CEC). Both interveners have filed submissions in support of the Project as proposed by FEI. BCPSO stated that it is persuaded that "the proposed project is both necessary for public convenience, and properly preserves the public interest."² CEC in its March 5, 2014 submissions similarly endorsed the Project, stating that the Project "is justified as an important risk mitigation project," "is in the public interest on key tests including cost effectiveness, reliability, rate impact, and socio-economic considerations," and "is appropriately undertaken at this time."³ Accordingly, this submission will address only discrete comments and recommendations raised in the submissions of BCPSO and CEC.

Project Costs Updates

2. Both BCPSO and CEC recommend that FEI provide updated Project cost when there is any material change (i.e., ten percent or more) to any component or the whole control budget.⁴ As noted by BCPSO, this followed a similar approach adopted by the Commission in a recent CPCN project (Order C-2-14).

3. FEI has expressed in its commitment in responses to IRs that it will notify and provide updated information to the Commission "[i]n the event that there is a material change to the cost estimate (as compared to the current control budget", and can follow a similar approach as outlined in Order C-2-14 if required by the Commission.⁵ However, FEI stresses that some of the components of the capital costs can be relatively small (in light of the total project costs)⁶ and changes to such cost components (such as ten percent increase) may accordingly have little or no impact on the entire Project control budget and capital costs. Thus, FEI submits that while it may be reasonable to report material change (i.e. ten percent or more) to the total cost estimates as compared to the control budget, it can be burdensome

¹ The capitalized terms are used herein as defined in FEI's Final Submissions, unless otherwise noted.

² BCPSO Submission, at para. 6.

³ CEC Submissions, at pages 1, 3.

⁴ BCPSO Submissions, at para. 19; CEC Submissions, at page 1.

⁵ Exhibit B-5, CEC IR 1.26.1; Exhibit B-10, CEC IR 2.9.4.

⁶ For instance, Exhibit B-1, Appendix F3, item "measuring and regulating structures and improvements".

to update the Commission of “material” changes to the components of the capital costs. Additionally, not only does the evidence show, as acknowledged by CEC in its submissions, FEI has established a project team and project management procedures to ensure that sufficient oversight and cost control measures are in place throughout the life cycle of the Project, FEI should also have sufficient flexibility to manage its projects to its success.

Amortization Period for Application Costs Deferral Account

4. BCPSO does not oppose the deferral treatment proposed for the Application Costs, but suggests a one year amortization period, rather than the three-year period proposed by FEI.⁷

5. Although FEI does not oppose a one-year amortization period for the Application Costs Deferral Account for this particular Project, FEI continues to believe and thus submits that a three year amortization period is still more appropriate for reasons summarized in its Final Submissions.⁸ More specifically, the three-year amortization period is appropriate in consideration of the benefits of rate smoothing, the matching of the amortization period with the benefits of the Project, and the past approved practices for similar deferral accounts.⁹

Public and First Nation Consultation

6. BCPSO suggests that FEI should follow up with potentially interested First Nations and seek confirmation of their positions with respect to the Project in order to have certainty and to minimize impact on Project schedule and costs.¹⁰ BCPSO further suggests that in the Project notification to the interested First Nations information on the possibility to intervene in BCUC proceedings should be included.¹¹

7. FEI submits that public and First Nation consultation is an on-going process during the Project, and issues and concerns may arise as the Project proceeds through its design and construction stages and requirements. The Project as proposed will be completed on private, agricultural land, with the planned acquisition of new Right of Ways from private property owners and Spectra, and with limited

⁷ BCPSO Submissions, at para. 21.

⁸ FEI Final Submissions, at para. 44.

⁹ Exhibit B-2, BCUC IR 1.29.5 and 1.30.3.

¹⁰ BCPSO Submissions, at para. 30.

¹¹ BCPSO Submissions, at para. 31.

potential impact on First Nations' interests and rights.¹² As stated in the Application and in responses to IRs, FEI is committed to continue to negotiate with the farm landowners directly affected by the Project and to work with community stakeholders and potentially interested First Nations after Project approval by the BCUC, and to find workable solutions to issues and concerns when they arise in order to move the Project ahead.¹³

8. Particularly with respect to First Nations engagement, FEI will continue to work under the guidance of, and with the OGC, the Crown agency responsible for First Nations consultation in this Project, to engage First Nations where appropriate.¹⁴ As said above, this is an on-going process:

Usually, if the First Nation has expressed an interest or a concern in a project, FEI would set up a meeting to discuss the project, which would involve a discussion of the entire process, including the opportunity to become an intervener in the BCUC proceedings.

9. Thus, FEI does not believe that it is necessary to impose an explicit requirement as suggested by BCPSO.

Conclusion

10. FEI respectfully submits that the Project is in the public interest and should be granted as sought. With respect to the amortization period for the Application Costs Deferral Account, FEI submits that a three-year amortization period is appropriate.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated: March 12, 2014

[original signed by Song Hill]

Song Hill
Counsel for FortisBC Energy Inc.

¹² Exhibit B-1, at pages 31, 33, 48.

¹³ E.g., Exhibit B-1, at pages 46, 52-53; Exhibit B-2, BCUC IR 1.23.17.1; Exhibit B-8, BCUC IR 2.2.2 and 2.2.3.

¹⁴ Exhibit B-1, at pages 52-53.