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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-147-06

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

and

An Application by FortisBC Inc.
for Approval of 2007-2008 Capital Expenditure Plan
and Review of 2007 System Development Plan Update

BEFORE: L.F. Kelsey, Commissioner November 24, 2006
L.A. Zaozirny, Commissioner

O R D E R

WHEREAS:

- A. On July 26, 2006, FortisBC Inc. ("FortisBC") filed its 2007-2008 Capital Expenditure Plan ("CEP") and 2007 System Development Plan Update ("SDP"), (collectively, the "Application"); and
- B. In the CEP, FortisBC is seeking an order that the CEP satisfies the requirements of Sections 45(6) and 45(6.1) (a) and (c) of the Utilities Commission Act (the "Act"), and that the Capital Projects contained in Tables 2.1, 3.1, 4.1, 5.1, 6.1, and 7.1 of the CEP are in the public interest pursuant to Section 45(6.2) (b); and
- C. FortisBC is seeking approval of the proposed capital expenditures for a two-year period; and
- D. The Commission, by Order No. G-97-06, set down a written hearing process and regulatory agenda for the review of the Application; and
- E. The Commission has considered the Application, evidence, and submissions of Intervenor and the Applicant.

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NOW THEREFORE the Commission orders as follows:

1. The CEP meets the requirements of Sections 45(6) and 45(6.1) (a) and (c) of the Act.
2. The Capital Expenditures, as approved in the Reasons for Decision attached as Appendix A, are in the public interest pursuant to Section 45(6.2) (b) of the Act.
3. FortisBC is directed to file, at a time of its choosing, an application for a Certificate of Public Convenience and Necessity for the Benvoulin Substation Project and the Castlegar Area Capacity Increase (Ootischenia Substation) Project and to comply with all other determinations and instructions set out in the Commission's Reasons for Decision attached as Appendix A to this Order.
4. FortisBC is directed to provide a progress update in 2007 for the 2007/08 CEP, during the 2007 Annual Review.

DATED at the City of Vancouver, in the Province of British Columbia, this 24th day of November 2006.

BY ORDER

Original signed by:

L.F. Kelsey
Commissioner

Attachment

**FORTISBC INC.
2007-2008 CAPITAL BUDGET APPLICATION**

REASONS FOR DECISION

1.0 INTRODUCTION

1.1 Application and Regulatory Process

On July 26, 2006, FortisBC Inc. ("FortisBC") filed its 2007-2008 Capital Expenditure Plan ("CEP") and 2007 System Development Plan ("SDP") Update (the "Application").

FortisBC is seeking an order that the CEP satisfies the requirements of Sections 45(6) and 45(6.1) (a) and (c) of the Utilities Commission Act ("UCA") and that, with the exception of a small number of projects that will be the subject of Certificate of Public Convenience and Necessity ("CPCN") applications, the Capital Projects contained in the Tables 2.1, 3.1, 4.1, 5.1, 6.1, and 7.1 of the CEP are in the public interest pursuant to Section 45(6.2) (b) of the UCA.

The Commission, on September 7, 2005 and by Order No. G-97-06, established a written public hearing process that concluded with the receipt of FortisBC's written reply to Intervenor comments on October 13, 2006.

2.0 2007-2008 CAPITAL PLAN

2.1 Planned Expenditures

The following table summarizes FortisBC's level of planned 2007 and 2008 capital expenditures.

Table 1.1
2007/08 Capital Expenditure Plan

	2007 Expenditures	2008 Expenditures	Future Expenditures (\$million)
Generation	21,659	19,020	19,548
Transmission and Stations	64,405	59,320	61,476
Distribution	20,006	20,244	5,030
Telecom, SCADA, Protection & Control	4,940	3,088	3,400
Demand Side Management	1,573	1,498	
General Plant	16,038	8,437	
<u>TOTAL</u>	<u>128,621</u>	<u>111,607</u>	<u>89,454</u>

(Exhibit B-1, p. 7)

The above planned expenditures include projects approved by the Commission in previous years and projects for which a CPCN has been or will be filed. The level of expenditures, which fall into these categories, is summarized in Table 1.4 of Exhibit B-1, which is reproduced below.

Table 1.4
2007/08 Capital Expenditure Plan Summary

		2007	2008	Total
		(\$millions)		
1.	Previously Approved	39.3	4.0	43.3
2.	CPCN Submitted	20.9	10.8	31.7
3.	CPCN to be Submitted	20.5	31.6	52.1
4.	Subtotal	80.7	46.4	127.1
5.	Remainder	47.9	65.2	113.1
6.	Total	128.6	111.6	240.2

(Exhibit B-1, p.12)

The actual capital budget expenditures for which FortisBC is seeking approval in the Application total \$47.9 million for 2007 and \$65.2 million for 2008 (Exhibit B-1, p. 12).

Tables 2.1, 2.2, 3.1, 4.1, 5.1, 7.1 and 7.8 of Exhibit B-1 are reproduced in the following sections and describe the specific projects related to those sections which have been previously approved or for which a CPCN will be filed and for projects for which approval is requested in this Application.

2.2 Intervenor Comments

Nine individuals or groups registered as Intervenors and two, the BC Old Age Pensioners Organization *et. al* (“BCOAPO”) and Mr. Alan Wait, participated fully in the hearing process.

BCOAPO provided comments and expressed concerns related to certain details of the Application that will be mentioned later in this Decision. In general BCOAPO expressed the view that “Overall, in view of the materials filed, information provided at the workshop, and responses to information requests, it appears that FortisBC’s 2007/08 Capital Expenditures Plan is reasonable” (Exhibit C4-3, p. 2).

Mr. Wait's main concern was with the flow regime for the Kootenay River generation plants, and how that impacted the replacement of the Upper Bonnington Units 1-4. FortisBC provided a response to Mr. Wait's concerns in its reply to Intervenor Comments (Exhibit B-5, p. 5).

Ms. Slack's comments were brief, but were generally supportive of the Application. Other Intervenor comments were concerned with specific issues which were not related to matters that are the proper subject of this Application.

3.0 CAPITAL PROJECTS REQUIRING COMMISSION APPROVAL FOR 2007 AND 2008

3.1 Generation Projects

Of the generation projects listed in Tables 2.1 and 2.2 below, the proposed South Slocan Unit 3 Life Extension, Corra Linn Unit 1 Life Extension and the Upper Bonnington Civil/Structural Upgrade and Old Unit Repowering projects account for the majority of expenditures. The total budget for Generation Projects requiring Commission approval is \$4.987 million for 2007 and \$13.831 million for 2008.

Table 2.1
Generation Projects

		Previousl y Approved	Prior Year Exp. up to Dec 31/06	2007 Total	2008 Total	Future (1)	Total
	Growth		(\$000s)				
1.	Sustaining						
2.	Lower Bonnington Unit 3 ULE	√	7,842	7,377	0	0	15,219
3.	South Slocan Unit 1 ULE	√	1,438	8,747	3,149	0	13,334
4.	South Slocan Unit 3 Life Extension		0	870	9,322	3,119	13,311
5.	Corra Linn Unit 1 Life Extension		0	0	881	10,954	11,835
6.	South Slocan Plant Completion		0	0	310	1,625	1,935
7.	Lower Bonnington Unit 3 Headgate Rebuild	√	595	68	0	0	663
8.	South Slocan Unit 1 & 3 Headgate Rebuild		0	513	580	78	1,171
9.	South Slocan Headgate Hoist, Control, Wire Rope Upgrade		0	0	669	0	669
10.	South Slocan Pole Yard Remediation	√	577	325	0	0	902
11.	Generating Plants Area Lighting		0	226	177	0	403
12.	Upper Bonnington Civil/ Structural Upgrade and Old Unit Repowering (Phase 1)			2,404	2,266	715	5,385
13.	Generating Plants Upgrade Station Service Supply		0	255	473	3,057	3,785
14.	Lower Bonnington Generator and Plant Cooling System Upgrade		0	46	346	0	392
15.	Subtotal Major Projects		10,452	20,831	18,173	19,548	69,004
16.	Subtotal Major Projects from Table 2.2		0	828	847	0	1,675
17.	Total Generation		10,452	21,659	19,020	19,548	70,679

(Exhibit 2.1, p. 19)

Table 2.2
Generation Small Sustaining Projects

		Previously Approved	2007	2008
			(\$000s)	
1.	South Slocan Office Emergency Power Feed		87	
2.	Public Safety and Security System – All Plants		54	281
3.	Lower Bonnington, Upper Bonnington and Corra Linn Sewage Disposal		76	66
4.	Lower Bonnington, South Slocan & Corra Linn Tailrace Gate Storage		26	
5.	Oil Skimming System Upgrades – All Plants		62	
6.	Level Gauge Upgrade for Lower Bonnington Tailrace and Forebay and for Corra Linn Tailrace		71	20
7.	Fire Protection Assessment & Upgrades – All Plants		76	
8.	Seismic Restraint – All Plants		86	
9.	Corra Linn Air Wash Pump Modifications		5	
10.	Corra Linn Forebay Boom & Anchor Upgrades	√	155	
11.	South Slocan Domestic Water Supply Upgrade		70	
12.	Corra Linn Wingdam Security Gates (2)		8	
13.	Corra Linn Headworks Handrail Upgrade		27	
14.	Corra Linn Battery Room Structural Upgrade			49
15.	Pump Rehabilitation and Replacement – All Plants		25	225
16.	Super Structure Assessment and Rehabilitation – All Plants			81
17.	South Slocan Tailrace Vent Cover Screens Upgrade			29
18.	Corra Linn Headgate Hoist Life Extension			96
19.	TOTAL		828	847

(Exhibit 2.2, p. 26)

Intervenor Comments

Alan Wait indicated that his concern with the 2007/08 Capital Expenditure Plan is with respect to expenditures associated with upgrading or replacing the existing facilities at the Kootenay River generation plants. He sought clarification with respect to any generation capacity addition restrictions placed on FortisBC by the Canal Plant Agreement or its amendments. FortisBC clarified that there are restrictions to adding capacity. In this case, Mr. Wait supports upgrading or replacing the existing facilities at the Kootenay River generation plants as outlined in the Capital Expenditures Plan (Exhibit C10-3, p. 1).

BCOAPO did not provide comment specifically on the generation projects.

Commission Determination

The Commission Panel notes that the life extension program is a continuation of the program embarked on in 1997, which at that time demonstrated a robust benefit for FortisBC's ratepayers. **The updated business cases (Exhibit B-1, Appendix 1 and Appendix 2) for the South Slocan Unit 3 Life Extension and the Corra Linn Unit 1 Life Extension continue to show a positive benefit for ratepayers and these two projects and related expenditures are therefore approved.** The Commission Panel notes that FortisBC is continuing to study the options for Units 1, 2, 3 and 4 at the Upper Bonnington plant, and that in the interim FortisBC is required to meet the civil and structural requirements for these units to meet safety and regulatory criteria. **The project business case examines several options (Exhibit B-1, Appendix 3) and clearly demonstrates the need for this project and therefore the Commission Panel approves the Upper Bonnington Civil and Structural Upgrade and Old Unit Repowering (Phase 1) project and related expenditures.**

The Commission Panel also recognizes the ongoing need to sustain and refurbish other aspects of these aging plants and therefore approves the remaining projects and expenditures as proposed in Tables 2.1 and 2.2.

3.2 Transmission and Stations

Table 3.1 from Exhibit B-1 is reproduced below and details FortisBC's capital budgets for 2007 and 2008 for Transmission and Stations Growth and Sustaining projects. The total budget for Transmission and Stations Growth and Sustaining projects requiring Commission approval is \$10.298 million for 2007 and \$19.247 million for 2008.

Table 3.1
Transmission and Stations Projects

		Previousl y Approved	CPCN to be filed	Prior Year Exp. up to Dec 31/06	2007 Total	2008 Total	Future (1)	Total
				(\$000s)				
1.	GROWTH							
2.	Big White Supply		Mar/06	2,092	9,969	8,244		20,305
3.	Ellison Distribution Source		√	1,840	13,319	3,149	0	15,159
4.	Black Mountain Source		√	524	497	8,727		9,748
5.	Fault Level Reduction	√		1,112			3,371	4,483
6.	Naramata Substation (Arawana)	√		2,584	1,959			4,543
7.	Nk'Mip (East Osoyoos) Source	√		2,700	12,489		218	15,407
8.	Kettle Valley Distribution Source and voltage conversion		Oct/05	5,354	9,491	2,605		17,450
9.	Lambert Substation – Transformer Installation	√		1,501	2,797			4,298
10	Okanagan Transmission Reinforcement		√		2,996	20,497	51,580	75,073
11	Benvoulin Substation					4,812	6,307	11,119
12	Duck Lake Substation Regulator Upgrade				294			294
13	Glenmore Substation New Feeder				392			392
14	Westbench Substation Regulator upgrade				294			294
15	Hedley Substation Capacity Increase				391			391
16	Castlegar Substation Capacity Increase					6,378		6,378
17	Coffee Creek and Kaslo capacitors				323			323
18	Crawford Bay Substation Capacity Increase				1,714			1,714
19	18 Line Circuit Breaker Replacement					1,800		1,800
20	SUBTOTAL GROWTH			17,707	56,926	53,061	61,476	189,170

(1) Future expenditures for ongoing sustaining programs have not been included in these tables.

Table 3.1 cont'd
Transmission and Stations Projects

		Previous y Approved	CPCN to be filed	Prior Year Exp. up to Dec 31/06	2007 Total	2008 Total	Future (1)	Total
				(\$000s)				
21	SUSTAINING							
22	Transmission							
23	Transmission Line Urgent Repairs				257	308		565
24	Right of Way Enhancements				334	350		684
25	Right of Way Reclamation				339	359		698
26	Transmission Line Condition Assessment				616	647		1,263
27	Transmission Rehabilitation				1,763	1,884		3,647
28	Switch Additions				362	190		552
29	Stations							
30	Station Condition Assessment & Minor Projects				1,145	1,186		2,331
31	Ground Grid Upgrades				284	299		583
32	Station Urgent Repairs				353	401		754
33	Computerized Maintenance Management System	√		1,101	246			1,347
34	Transformer Load Tap Changers Oil Filtration Project				226	234		460
35	West Osoyoos Transformer Rehabilitation	√		1,723	343			2,066
36	Trout Creek Transformer Replacement				342			342
37	Warfield Terminal Station Connector Replacement and Deficiency Correction				869	399		1,268
38	SUBTOTAL SUSTAINING			2,824	7,479	6,259	0	16,562
39	TOTAL			20,531	64,405	59,320	61,476	205,732

(1) Future expenditures for ongoing sustaining programs have not been included in these tables.

(Exhibit 3.1, pp. 33, 34)

3.2.1 Growth Projects

Of the growth projects which have not received previous approvals or which FortisBC has stated will be the subject of a CPCN, the Benvoulin Substation and Castlegar Substation Capacity Increase projects account for the largest proposed capital expenditures in 2007/2008. The Benvoulin Substation is intended to address load growth

in the central area of Kelowna and is a change from the 2005 SDP which anticipated transformer additions at the Hollywood and the OK Mission substations. FortisBC states that the construction of a new substation at Benvoulin is a technically and economically superior solution (Exhibit B-1, Appendix 5).

The Castlegar Substation Capacity Increase is proposed to increase the distribution capacity for the Castlegar, Blueberry, and Ootischenia areas and provide backup to the Blueberry and Castlegar substations. The project consists of a new substation in the Ootischenia area with a 63 kV transmission line tap and several 13 kV feeders. This project is a change from the 2005 SDP, which contemplated increasing the transformer capacity in the Castlegar substation, which is forecast to be overloaded by 2010. FortisBC is recommending this solution because the Castlegar substation does not have enough room and other options have higher capital costs (Exhibit B-1, Appendix 6).

3.2.2 Sustaining Projects

Of the projects listed in Table 3.1 only the Computer Maintenance Management System and the West Osoyoos Transformer Replacement have been previously approved; however, many other projects such as condition assessment and rehabilitation programs are continuing from previous years. A notable exception is the Warfield Terminal Station Connector Replacement and Deficiency Correction Project. This project is required because of the premature failure of compression connectors following the completion of the Kootenay 230 kV Project.

Intervenor Comments

BCOAPO expressed concern about the public consultation process and whether or not FortisBC should proceed with substation construction without a CPCN application. BCOAPO also expressed concern about “scope changes” and the magnitude of increased costs related to certain projects, factors for FortisBC and the Commission to consider when deciding to proceed with CPCN applications for those projects.

Alan Wait did not provide comment.

Commission Determination

The final options for the Benvoulin substation have not been determined. FortisBC has stated that it does not intend to submit a CPCN for this project as it does not meet the criteria FortisBC suggested in the 2005 Capital Plan applications and which the Commission generally accepted. FortisBC also argued that it would prefer to carry on a full public consultation and obtain agreement with the stakeholders. If controversy is still evident after

the public consultation, FortisBC suggested that it would then apply to the Commission for a CPCN. Although BCOAPO in its argument expressed some concern with a lack of a CPCN for this project, it agreed with FortisBC's proposed approach (Exhibit C4-3, p. 2).

In the FortisBC 2005 Revenue Requirements, 2005-2024 System Development Plan and 2005 Resource Plan Application, FortisBC proposed criteria to be followed when determining whether a filing for a CPCN would be required. That criteria is:

1. the total project cost is \$20 million or greater; or
2. the project is likely to generate significant public concerns; or
3. FortisBC believes for any reason that a CPCN application should proceed; or
4. after presentation of a Capital Plan to FortisBC stakeholders, a credible majority of those stakeholders express a desire for a CPCN application.

In the Commission Decision accompanying Order No. G 52-05, the Commission Panel stated:

“With regard to the CPCN Criteria, the Commission Panel is in general agreement with FortisBC's assessment of the appropriate criteria to guide the Company and the Commission when applying for CPCNs. However FortisBC has missed an important distinction with respect to the BCTC application. BCTC has acknowledged that the Commission has the authority to designate any projects it deems necessary for a CPCN application, regardless of the criteria. In exercising this prerogative the Commission will be guided by the suggested criteria. However, in practice the Commission intends to review each year's capital filings and will determine with reasons which projects will require CPCNs” (Decision, p. 60).

The Commission continues to be of the view that it will consider this criteria and determine which projects require CPCNs.

Given the urban location for the proposed Benvoulin Substation, the Commission Panel is of the view that the project is likely to generate significant public concerns and, therefore, in accordance with the above criteria determines that an application for a CPCN for the Benvoulin Substation Project is required.

The Castlegar Area Capacity Increase (Ootischenia Substation) project involves the construction of a new distribution source together with the necessary transmission and distribution feeder facilities to tie the substation into the existing transmission and distribution network. Although the project, in relative terms is of modest cost, it is in a semi-urban area. The Commission Panel is of the view that the project is likely

to generate significant public concerns and, therefore, in accordance with the above criteria determines that an application for a CPCN for the Castlegar Area Capacity Increase (Ootischenia Substation) Project is required.

The Commission Panel concurs with FortisBC that a CPCN is required for the Okanagan Reinforcement Project and the Black Mountain Source Project and notes that an application for a CPCN for the Ellison Distribution Source Project has been filed.

The Commission Panel approves all other Growth and Sustaining projects and related expenditures as listed in Table 3.1

3.3 Distribution

Table 4.1 from Exhibit B-1 is reproduced below and details FortisBC's capital budgets for 2007 and 2008 for Distribution Growth and Sustaining projects. The total budget for Distribution Growth and Sustaining projects is \$19.154 million for 2007 and \$19.376 million for 2008.

Table 4.1
Distribution Projects Expenditures

		Previously Approved	2007 Total	2008 Total	Future ⁽¹⁾	Total
			(\$000)			
1.	GROWTH					
2.	New Connects – System wide		7,245	7,977		15,222
3.	Distribution Growth Projects					
4.	Glenmore Substation – New Feeder		1,371			1,371
5.	Keremeos Feeder 1 Capacity Upgrade		353		200	553
6.	Princeton Feeder 4 Capacity Upgrade		881		1,350	2,231
7.	OK Falls Feeder 3 Capacity Upgrade		294	300		594
8.	Crawford Bay Feeder 2 Capacity Upgrade		372			372
9.	Feeder Egress Cables		244			244
10.	McKinley Landing Capacity Upgrade			359		359
11.	Valhalla Feeder 1 Capacity Upgrade			897		897
12.	Hollywood Feeder 1 – OK Mission Feeder 1 Tie			349		349
13.	FA Lee Feeder 2 – Hollywood Feeder 5 Tie			419		419
14.	Small Growth Projects		446	210		656
15.	Unplanned Growth Projects		685	713		1,398
16.	TOTAL GROWTH		11,892	11,224	1,550	24,666
17.						
18.	SUSTAINING					
19.	Distribution Sustaining Programs and Projects					
20.	Distribution Line Condition Assessment		637	678		1,315
21.	distribution Line Rehabilitation		1,606	1,645		3,251
22.	Distribution ROW Reclamation		609	593		1,202
23.	Distribution Line Rebuilds		1,576	1,945		3,521
24.	Small Planned Capital		339	378		717
25.	Forced Upgrades and Line Moves		1,168	1,400		2,568
26.	Distribution Urgent Repair		1,228	1,414		2,642
27.	PCB Program	√	852	868	3,480	5,200
28.	Aesthetic and Environment Upgrades		98	100		198
29.	TOTAL SUSTAINING		8,114	9,020	3,480	20,614
30.	TOTAL		20,006	20,244	5,030	45,280

(1) Future expenditures for ongoing sustaining programs have not been included in these tables.

(Exhibit 4.1, p. 65)

3.3.1 Growth Projects

Intervenor Comments

Intervenors did not provide comment on this topic.

Commission Determination

The Commission Panel notes that these projects are driven by customer demand and load growth and the Commission Panel accepts the load forecasts submitted by FortisBC in Appendix 1 of the 2007 SDP, as noted later in this Decision.

The Commission Panel therefore approves the Distribution Growth projects and related expenditures as listed in Table 4.1

3.3.2 Sustaining Projects

In its Decision on FortisBC's 2006 Capital Budget Application, 2006 Capital Expenditures Plan and the 2006 System Development Plan (Order No. G-8-06), the Commission expressed concern with regard to the prioritization of projects in the distribution rebuild and requested FortisBC to include in its next filing more information related to reliability performance. In response, in this Application, FortisBC included Table 8.1 (Exhibit B-1, pp. 125, 126) which ranked all distribution feeders by descending order of SAIFI and highlighted all feeders which are to have sections replaced in the 2007 and 2008 programs. It is apparent from this table that FortisBC has not prioritized its rebuild program solely on the reliability data. FortisBC explained that it based its prioritization of work on an inspection program, which analyses the extent of deterioration, and risk and consequence of failure and is of the view that "the overall distribution system receives more benefit from its current method of assigning priority than it would receive by focusing on the performance of specific feeders" (Exhibit B-1, p. 125).

Intervenor Comments

Intervenors did not provide comment on this topic.

Commission Determination

The Commission Panel accepts that a visual assessment and professional analysis of risk and consequences as described by FortisBC is, in this instance, an acceptable method of prioritizing feeders in need of repair. **The Commission Panel approves all Sustaining projects and related expenditures listed in Table 4.1.**

3.4 Telecommunications, SCADA, and Protection & Control

Table 5.1 from Exhibit B-1 is reproduced below and details FortisBC's capital budgets for 2007 and 2008 for Telecommunications, SCADA, and Protection and Control. The total budget for Telecommunications, SCADA, and Protection and Control projects is \$1.482 million for 2007 and \$1.088 million for 2008.

Table 5.1
Telecom, SCADA, and Protection and Control Projects Expenditures

		CPCN to be filed	Prior Year Exp. up to Dec 31/06	2007 Total	2008 Total	Future (1)	Total
			(\$000s)				
1.	GROWTH						
2.	Distribution Substation Automation, Metering and Communications	√	800	1,999	2,000	1,000	5,799
3.	Trail-Oliver High Capacity Communications	Filed Oct/05	1,200	1,459		2,400	5,059
4.	SUBTOTAL GROWTH		2,000	3,458	2,000	3,400	10,858
5.							
6.	SUSTAINING						
7.	Harmonic Remediation			97	101		198
8.	Protection and Fault Locating Upgrades			1,082	877		1,959
9.	Communication Upgrades			304	110		414
10.	SUBTOTAL SUSTAINING			1,482	1,088		2,570
11.	TOTAL		2,000	4,940	3,088	3,400	13,428

(1) Future expenditures for ongoing sustaining programs have not been included in these tables.

(Exhibit 5.1, p. 88)

Intervenor Comments

Intervenors did not provide comment on this topic.

Commission Determination

The Commission Panel notes that the Trail-Oliver High Speed Communications project is linked to the previously approved Kettle Valley Project and the future Okanagan Transmission Reinforcement Project. The Kettle Valley project approvals included a portion of this project. The other growth project listed (the Distribution substation automation project) will be the subject of a CPCN.

As these are the only Growth projects listed no approvals are needed at this time.

The Commission Panel approves the Sustaining projects and related expenditures listed in Table 5.1

3.5 Demand Side Management

Table 6.1 from Exhibit B-1 is reproduced below and details FortisBC's capital budgets for 2007 and 2008 for Demand Side Management ("DSM"). The total amount in Table 6.1 requires Commission approval.

Table 6.1
Demand Side Management Expenditures

		2007 Total	2008 Total	Total
1	Cost (\$000s)	1,573	1,498	3,071

(Exhibit 6.1, p. 94)

Intervenor Comments

Intervenors did not provide comment on this topic.

Commission Determination

The Commission Panel notes that the FortisBC's DSM projects continue to be cost effective in promoting energy conservation (Exhibit B-2, BCUC IR 29.1). **The Commission Panel therefore approves the proposed DSM program and the expenditures identified in Table 6.1.**

3.6 General Plant

Tables 7.1 and 7.8 from Exhibit B-1 are reproduced below and detail FortisBC's capital budgets for 2007 and 2008 for General Plant and, in particular, for Information Systems. The total budget for General Plant and Information Systems is \$10.411 million for 2007 and \$8.099 million for 2008.

Table 7.1
General Plant Expenditures

	General Plant	Previously Approved	Prior Year Exp. up to Dec 31/06	2007 Total	2008 Total	Total
			(\$000s)			
1.	Vehicles			3,400	2,461	5,861
2.	Metering Changes to Uninstalled Meter Inventory			64	136	200
3.	Information Systems		727	6,027	3,516	10,270
4.	Telecommunications			175	175	350
5.	Buildings			1,462	1,312	2,774
6.	Benvoulin Property Expansion	√	150	3,948		4,098
7.	Furniture and Fixtures			212	187	399
8.	Tools and Equipment			750	650	1,400
9.	TOTAL		877	16,038	8,437	25,352

(Exhibit 7.1, p. 98)

Table 7.8
Information Systems

		CPCN to be filed	Prior Year Exp. up to Dec 31/06	2007 Total	2008 Total
			(\$000s)		
1.	Infrastructure Upgrade			239	314
2.	Desktop Infrastructure Upgrade			477	400
3.	Business Consolidation and Planning			147	-
4.	Business Warehouse Module			278	242
5.	Contract Management Module			116	-
6.	Data Portal Module			269	243
7.	Service Order Module			126	-
8.	Dispatch Software Consolidation			334	77
9.	MVRS Handheld Upgrade			223	-
10.	IT – Disaster Recovery Phase II			444	28
11.	CIS+ Web Interface Upgrade			331	-
12.	Intranet Enhancements			81	164
13.	Internet Enhancements			81	164
14.	Accounts Payable Document Imaging			108	-
15.	CIS+ Integration with SAP			219	-
16.	Human Resources, Environment, Health and Safety Module			331	-
17.	Human Resources Training and Events Software Module			251	-
18.	AM/FM Upgrade	√	727	1,679	338
19.	SAP Enhancements			-	564
20.	CIS+ Enhancements			-	338
21.	Microsoft Office Windows Upgrade			-	535
22.	Records Management			108	109
23.	System Control SCADA Upgrade			183	-
24.	TOTAL		727	6,027	3,516

(Exhibit 7.8, p. 104)

Intervenor Comments

Intervenors did not provide comment on this topic.

Commission Determination

The Commission Panel notes that expenditures related to the Vehicle Lease Conversion Project have been addressed in previous decisions and considers that other vehicle expenditures are justified according to their condition and life cycle on the basis of safety and cost.

The Commission Panel also notes that other significant expenditures under this category include the Benvoulin Property Expansion and Information Systems for which the most significant project is the Automated Mapping/Facilities Management Geographical Information System (“AM/FM GIS”) Transition Project. These projects have also been the subject of previous decisions or are under review as a CPCN. The Commission Panel notes that the Benvoulin Property Expansion does not relate to the proposed Benvoulin Substation Project. **The Commission Panel approves all proposed projects and related expenditures listed in Tables 7.1 and 7.8.**

4.0 2007 SYSTEM DEVELOPMENT PLAN UPDATE

The 2007 SDP is an update from the 2005 SDP, which outlined FortisBC’s forecasts of its growth and sustaining capital expenditures in the 2005-2011 timeframe.

This update forecasts capital expenditures for the 2007 to 2011 timeframe of \$377 million compared to the 2005 SDP forecast of \$305 million for the same timeframe.

FortisBC load forecasts are now expected to increase by 4.8 percent per year in the North Okanagan Area, 2.1 percent per year in the South Okanagan Area, 2.1 percent per year in parts of the Boundary area, and 0.8 percent per year for the Kootenay Area. These load forecasts appear to be based on sound data and thorough analysis. Intervenors did not dispute the load forecasts.

The 2007 SDP notes a number of changes in project timing, including the deferral of the Big White, Recreation, Lambert, Castlegar, Kettle Valley, and Nk'Mip project. A number of projects such as the Ellison project have increased in scope. And a number of new Projects such as the Benvoulin project have been conceived and others like the Hollywood and OK Mission projects have been cancelled. Details of these project changes have been listed in Appendix 2 to the 2007 SDP.

The net effect of these changes and an increasing prediction for more rehabilitation projects is to cause an increase in capital spending in the latter years of the SDP.

Intervenor Comments

BCOAPO expressed concern that projected costs for capital expenditures have risen dramatically since the 2005-2024 SDP was approved less than two years ago. BCOAPO cites project scope changes as a major contributing factor to higher expenditures and states that “[T]he effect on customers rates of large cost increases related to equipment and material costs points to the need for the Company’s Capital Plans to be closely scrutinized, both internally by FortisBC and externally by the BCUC, in order to ensure that the expenditures are prudent.

Our apprehension is that without an annual, public review of the plan, expenditures may jump to unsustainable levels” (Exhibit C4-3, p. 3).

Commission Determination

The Commission Panel accepts the 2007 SDP update for filing and accepts the load forecasts as stated. However, the Commission Panel shares the concern expressed by the BCOAPO related to the continually increasing costs related to capital expenditures, and the consequential impact on rates for customers.

5.0 PROPOSED REGULATORY TREATMENT

As noted in FortisBC's application, FortisBC is proposing a two-year capital filing, which includes 2007 and 2008. Section 45 (6) of the UCA requires a public utility to file at least once each year a statement, in a form prescribed by the Commission, of the extensions to its facilities that it plans to construct.

The Commission Panel accepts the proposed two-year filing pursuant to Section 45 (6.1) of the UCA. The Commission Panel also accepts FortisBC's response to concerns expressed by BCOAPO and its intention to provide an update on the progress of the implementation of the Capital Expenditure Plan during the 2007 Annual Review. In that report, FortisBC is directed to file a progress update and description of any changes that it proposes to make to the approved projects and related expenditures for 2008.