



**Diane Roy**  
Vice President, Regulatory Affairs

**Gas Regulatory Affairs Correspondence**  
Email: [gas.regulatory.affairs@fortisbc.com](mailto:gas.regulatory.affairs@fortisbc.com)

**Electric Regulatory Affairs Correspondence**  
Email: [electricity.regulatory.affairs@fortisbc.com](mailto:electricity.regulatory.affairs@fortisbc.com)

**FortisBC**  
16705 Fraser Highway  
Surrey, B.C. V4N 0E8  
Tel: (604) 576-7349  
Cell: (604) 908-2790  
Fax: (604) 576-7074  
[www.fortisbc.com](http://www.fortisbc.com)

October 26, 2021

British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC  
V6Z 2N3

Attention: Mr. Patrick Wruck, Commission Secretary

Dear Mr. Wruck:

**Re: FortisBC Energy Inc. (FEI)**

**Application for a Certificate of Public Convenience and Necessity (CPCN) for Approval of the Advanced Metering Infrastructure (AMI) Project (Application) – Errata Dated October 26, 2021**

On May 5, 2021, FEI filed the Application referenced above. During the course of responding to IRs, FEI has identified several items in the Application that require a correction, as discussed in the responses to BCUC IR1 27.1 and 33.2. The changes made are to address typographical errors and to correct an excel spreadsheet input and do not change approvals sought.

Description	Revised Pages
<b>Application, Section 6.3.2.2</b>	Page 113
<b>Application, Section 6.3.3.2</b>	Page 118
<b>Supplemental Information CONFIDENTIAL Attachments</b>	Fort Nelson Working Excel Models

For ease of identification of the revisions made, FEI has provided the revised pages from Exhibit B-1 (Application) blacklined for ease of reference. FEI has provided Confidential Exhibit B-2-1 (Supplemental Information CONFIDENTIAL Attachments – Working Excel Models) as separate documents to the BCUC and Interveners who have signed a Confidentiality Declaration and Undertaking Form in this proceeding.

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC ENERGY INC.**

***Original signed:***

Diane Roy

Attachments

cc (email only): Registered Interveners

1 notes the proposed new rates for AMI software and AMI Communication and Equipment<sup>120</sup> have  
2 been assumed to be equivalent to the rates FBC uses for similar assets. FEI has used these  
3 rates for the purposes of the financial analysis and requests approval of these rates in this  
4 Application, but notes that a new depreciation study is expected to be filed before the majority of  
5 the assets are in service, and these rates will be reviewed and confirmed at that time.

## 6 **6.3.2 Accounting Treatment**

### 7 **6.3.2.1 Treatment of Capital Costs**

8 Consistent with FEI's approved CPCN treatment, the capital costs of the Project will be held  
9 outside of rate base in capital work in process, attracting AFUDC, until they are placed into  
10 service. As construction is completed on the various assets included in the Project, the assets  
11 will be commissioned and placed into service. The assets will enter rate base on January 1 of  
12 the year following their in-service date by adding the capital cost of the assets into the  
13 appropriate plant asset accounts. Depreciation of the assets included in FEI's rate base will  
14 begin the year that they enter rate base. The AMI meters exchanged during the Deployment  
15 phase of the Project will enter rate base January 1 in the year following the date of the meter  
16 installation.

### 17 **6.3.2.2 AMI Application and Feasibility Cost Deferral**

18 In this Application, FEI seeks approval for the creation of the AMI Application and Feasibility  
19 Cost deferral account. The purpose of this account is to capture costs associated with  
20 developing the AMI Project and the regulatory proceeding to review the Application. Similar to  
21 the capital costs discussed above, the account will be non-rate base and earn an after tax  
22 WACC carrying cost until it enters rate base. FEI expects to incur costs of approximately \$10.5  
23 million, inclusive of the preliminary project planning, application development and regulatory  
24 proceeding costs, as well as costs associated with additional public communications and  
25 consultations. Upon approval of the AMI Project FEI will transfer the balance to rate base and  
26 proposes to amortize the costs accrued to this account over three years beginning in 2023.

### 27 **6.3.2.3 AMI Foreign Exchange (FX) Mark to Market Valuation**

28 FEI is also seeking BCUC approval under sections 59-61 of the UCA for a deferral account,  
29 entitled the "AMI FX Mark to Market" deferral account, to capture the mark-to-market valuation  
30 of any foreign currency risk mitigation contracts (FX Contracts) entered into related to the  
31 Project. The deferral account is an important tool to mitigate external income statement volatility  
32 that would arise with the use of FX Contracts. This treatment is similar to what the BCUC

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<sup>120</sup> The proposed asset class that will hold the AMI network and non-meter capital.

1 charged to Fort Nelson. Direct charges include meter capital, meter installation, any associated  
2 meter write off, and network hardware. Common capital items, such as software and Project  
3 management costs will be allocated to Fort Nelson based on the number of meters deployed.  
4 O&M items such as the reduced meter reading costs and annual network servicing costs will be  
5 allocated to Fort Nelson based on the number of customers. These allocation approaches are  
6 consistent with current allocation methods for Fort Nelson. Fort Nelson's cost of the project is  
7 estimated at \$1.5 million in capital and would require a meter write off of an estimated \$0.1  
8 million. The estimated levelized delivery rate increase of the project for Fort Nelson would be  
9 0.89 percent.

## 10 **6.4 SUMMARY**

11 In summary, the AMI Project is expected to incur \$638.4 million in capital expenditures through  
12 the Deployment phase, which is equal to \$476.0 million incremental to what would otherwise be  
13 spent under the Baseline scenario (during normal operations of the existing meter program).  
14 The \$476.0 million of incremental capital is projected to be offset by future savings in capital and  
15 O&M expenditures in the Post-deployment phase.

16 Overall, the AMI Project is expected to be effectively rate neutral over the 26-year analysis  
17 period, with the incremental levelized delivery rate impact estimated to be 0.125 percent using  
18 conservative assumptions. There would be an overall delivery rate savings for customers if the  
19 future cost of manual meter reading is higher than the Baseline low case cost scenario that has  
20 been assumed.

21 Specific approvals sought in light of the discussion in this section include:

- 22 • The creation of four new asset accounts with associated depreciation and net salvage  
23 rates:
  - 24 1. 478-10 / AMI Meter Hardware – depreciation rate set to 5 percent, no net salvage;
  - 25 2. 474-00 / AMI Meter Installation – depreciation rate set to 5 percent, 1.58 percent net  
26 salvage;
  - 27 3. 402-06 / AMI Software – depreciation rate set to 10 percent;<sup>127</sup>
  - 28 4. 488-30 / AMI Communications and Equipment – depreciation rate set to 6.67  
29 percent, no net salvage;
- 30 • Creation of a non rate base **AMI Application and Feasibility** cost deferral account  
31 attracting a WACC return until it is placed into rate base, to capture development and  
32 application costs for this Project. Once transferred to rate base FEI proposes an  
33 amortization period of 3 years;

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<sup>127</sup> There is no net salvage for software as there are no associated removal costs.

**Attachment A**

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**FEI AMI CPCN APPLICATION – ERRATA OCTOBER 26, 2021  
SUPPLEMENTAL INFORMATION**

**REFER TO LIVE SPREADSHEET MODELS**

Provided in electronic format only

**FILED CONFIDENTIALLY**