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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** C-20-06

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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 a Certificate of Public Convenience and Necessity
for an Automated Mapping/Facilities Management/Geographical Information System
(AM/FM/GIS) Transition Project

BEFORE: L.F. Kelsey, Commissioner
L.A. Zaozirny, Commissioner November 16, 2006

CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY

WHEREAS:

- A. On August 26, 2006 FortisBC Inc. ("FortisBC") applied (the "Application") to the British Columbia Utilities Commission ("Commission") for a Certificate of Public Convenience and Necessity ("CPCN" for the Automated Mapping/Facilities Management/Geographical Information System ("AM/FM/GIS") Transition Project ("the Project")); and
- B. An Am/FM/GIS is used to collect, manage and report information about a utility's distribution and transmission facilities, to support the effective management and operation of these assets and planning for growth and change; and
- C. FortisBC states that the Project is required to replace its existing AM/FM/GIS, which is presently supplied to FortisBC by FortisAlberta Inc. FortisAlberta Inc. has advised that it intends to replace its AM/FM/GIS and can no longer be a service provider for FortisBC.; and
- D. The Project would replace the current AM/FM/GIS with the ArcFM System supplied by Environmental System Research Institute Inc., at an estimated cost of \$2.7 million; and
- E. The Project is scheduled for substantial completion by June 20, 2007 and integration with all systems by June 2008; and
- F. By Order No. G-113-06, the Commission established the Regulatory Timetable for a written hearing process to review the Application; and
- G. On October 27, 2006, FortisBC responded to Information Requests from the British Columbia Old Age Pensioners' Organization et al. ("BCOAPO") and the Commission; and
- H. On November 3, 2006 the BCOAPO filed a Final Submission on the Application; and

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- I. On November 10, 2006, FortisBC replied to the BCOAPO Final Submission; and
- J. The Commission has considered the Application and the other evidence and submissions filed in this matter, and concludes that it should grant FortisBC a CPCN for the Project, for the Reasons for Decision that are attached as Appendix A to this Order.

NOW THEREFORE the Commission orders as follows:

- 1. A CPCN is granted to FortisBC for the AM/FM/GIS Project, as described in the Application.
- 2. FortisBC will file with the Commission an annual progress report on the AM/FM/GIS Project schedule and costs, and a final report on project completion that provides explanations for any material variances from the schedule and cost estimate in the Application. FortisBC will determine the form and content of the reports in consultation with Commission staff.

DATED at the City of Vancouver, in the Province of British Columbia, this 16th day of November 2006.

BY ORDER

Original signed by

L. F. Kelsey
Commissioner

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REASONS FOR DECISION

FortisBC Inc. (“FortisBC”) applied (the “Application”) on August 16, 2006 for a Certificate of Public Convenience and Necessity (“CPCN”) for the Automated Mapping/Facilities Management/Geographical Information System (“AM/FM/GIS”) Transition Project (the “Project”). The Application and the regulatory process that the Commission established by Order No. G-113-06 for the review of the Application are described in the Order that accompanies these Reasons for Decision.

The British Columbia Old Age Pensioners’ Organization et al. (“BCOAPO”) and Mr. H. Karow intervened in the review process, and only BCOAPO made a Final Submission. In its Final Submission, the BCOAPO submits that the need for a new AM/FM/GIS is legitimate and justified, that the scope of options that FortisBC considered appears reasonable and that FortisBC has done sufficient due diligence to ensure that the Environmental System Research Institute Inc. (“ESRI”) ArcFM System can meet its current and future requirements. In the view of BCOAPO, the ESRI option proposed by FortisBC is the best overall solution.

The Commission generally concurs with the view of BCOAPO that FortisBC needs to make changes with respect to its AM/FM/GIS and that the ESRI ArcFM System is a suitable replacement for the current system. FortisBC evaluated five options, including bringing in-house the current system that is maintained by FortisAlberta Inc. The ESRI ArcFM option has an estimated capital cost of \$2.7 million, and a one-time equivalent rate impact of 0.25 percent. The Application indicates that this is the lowest rate impact of the options that FortisBC evaluated. For these reasons the Commission concludes that it should grant a CPCN to FortisBC for the AM/FM/GIS Project proposed in the Application.

In its Final Submission, BCOAPO asked FortisBC to confirm whether accounting principals require a one time write-off of the \$682,000 net book value of the current system at the end of 2008, and, if an early write-off of the amount is required, BCOAPO proposed that the Commission direct FortisBC to defer and amortize the costs for ratemaking purposes. BCOAPO also submitted that the Commission direct FortisBC to enter into a fixed price contract that clearly defines the scope of work.

In its Reply, FortisBC stated that, based on UCA Handbook Section 3061.26 and the view that the new AM/PM/GIS system is a betterment of an existing system, there is no need for an early write-off of the assets related to the current system. With respect to the submissions about a fixed price contract, FortisBC states that

the Project will be contracted in several components and each component will have a detailed scope statement. FortisBC states that it will enter into a fixed price contract if it is prudent to do so, but submits that it should not be limited to a fixed price contract if another form of contract is more advantageous or the cost of a fixed price contract is prohibitive.

The BCOAPO recommendation for a fixed price contract appears to have merit, and the Commission requests that FortisBC take the points made by BCOAPO into consideration as the project moves forward. However, the Commission is not prepared to make a direction to FortisBC in the CPCN Order requiring a fixed price contract, the Commission considers that in this instance it would be appropriate to intervene as little as is reasonable in the execution of a capital project by utility management. FortisBC is reminded however that project costs may be subject to a formal prudence review following completion of the project.