



LETTER NO. L-9-09

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VIA E-MAIL

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January 29, 2009

Ms. Joyce Martin
Manager of Regulatory Affairs
FortisBC Inc.
1290 Esplanade
PO Box 130
Trail, BC V1R 4L4

Dear Ms. Martin:

Re: FortisBC Inc. ("FortisBC")
Wholesale Customers Power Factor Report ("the Report")
and Order G-101-08

On September 30, 2008, as a requirement of Order G-101-08, FortisBC filed its Report on raising the power factor level from 90 percent to 95 percent in its Municipal Agreements with the City of Penticton ("Penticton"), the District of Summerland ("Summerland"), the City of Kelowna ("Kelowna"), the City of Grand Forks ("Grand Forks"), and the Corporation of the City of Nelson ("Nelson"). By letter dated October 16, 2008, the Commission accepted the Report.

The Report indicated that Penticton met the 0.95 power factor in the winter months at two of its supply points but in the summer the power factor dropped below 0.95 at the Waterford supply point for short periods and at the Carmi supply point for longer periods and more often.

In the Report, FortisBC provided an eleven-month graph of the power factors for Grand Forks, Summerland and Nelson. The Commission noted that Grand Forks has no power factor issues; that Summerland's power factor dropped between the months of May through August with the month of July having the lowest power factor level; and that Nelson has power factor issues between the months of July and October. FortisBC did not provide any explanation as to why Nelson had this power factor range during these months.

In the conclusion of the Report, FortisBC pointed out that there would not be any measurable gain in system capacity or reduction of losses if the wholesale customers were required to maintain a 95 percent power factor. As FortisBC already bills its wholesale customers in kVA for demand, the Commission has not recommended an additional power factor surcharge at this time.

As the majority of wholesale customers are already in excess of the 95 percent power factor, the Commission noted that there would be minimum impact in modifying Clause 6.10 in the Wholesale Agreements to read as follows:

Power Factor

The customer shall endeavor to regulate its load so that the Power Factor at each Point of Delivery will be no less than 95 percent lagging.

In its Report FortisBC stated that the measurable gain in capacity or reduction in losses was small while the Commission noted that the cost impact of the change was also small.

The Commission was to address this issue during the Negotiated Settlement Process ("NSP") held in November 2008 for the review of the 2008 Annual Review and the 2009 Revenue Requirements. As this issue was not resolved during the NSP, the Commission accepts FortisBC's proposal in the Report to work with its wholesale customers to raise their power factors to at least 95 percent and **directs** FortisBC to implement the amended wording of Clause 6.10 shown above on the renewal dates of the wholesale agreements shown in Table 1.

Table 1 - Wholesale Agreement Renewal Dates

WHOLESALE CUSTOMER	AGREEMENT RENEWAL DATE
The City of Penticton	March 31, 2010
The District of Summerland	March 31, 2010
The City of Kelowna	October 31, 2009
The City of Grand Forks	March 31, 2010
The Corporation of the City of Nelson	December 31, 2009

The Commission **directs** FortisBC to submit a report as an appendix in its next Revenue Requirement Application if the power factor in any of the wholesale agreements is below 0.95.

Yours truly,

Original signed by:

Erica M. Hamilton

DJF/dlf