



**BCPIAC**  
Public Interest Advocacy Centre

Reply to: Leigha Worth

[ED@bcpiac.org](mailto:ED@bcpiac.org)

Ph: 604-687-3034

Our File: 7400.210

7 July 2020

**VIA E-FILING**

Marija Tresoglavic  
Acting Commission Secretary  
BC Utilities Commission  
6th Floor 900 Howe Street  
Vancouver, BC V6Z 2N3

Dear Ms. Tresoglavic,

**Re: Pacific Northern Gas (N.E.) Ltd. ~ Application for a Certificate of Public Convenience and Necessity to Implement Automated Meter Reading (AMR) Infrastructure  
BCOAPO Information Request No. 1**

We represent the BC Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organizations of BC, Disability Alliance BC, and Tenant Resource and Advisory Centre, known collectively in regulatory processes as "BCOAPO et al." ("BCOAPO").

Enclosed please find the BCOAPO's Information Requests No. 1 with respect to the above-noted Application.

If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

**BC PUBLIC INTEREST ADVOCACY CENTRE**

*Original on file signed by*  
For/Leigha Worth

Executive Director | General Counsel

**REQUESTOR NAME:** BCOAPO *et al.*  
**INFORMATION REQUEST ROUND NO:** #1  
**TO:** PNG (N.E.) Ltd.  
**DATE:** July 7, 2020  
**APPLICATION NAME:** CPCN to Implement Automated Meter Reading Infrastructure

---

**1.0 Reference: Exhibit B-3, BCUC IR 1.4.1**

The referenced response states (in part);

*PNG(NE) notes that based on the quotes received for the fixed network option the net present value of customer costs over a 20-year period was \$32,656,477. This was due to the high initial capital costs of \$23,101,603, primarily related to fixed network infrastructure, and ongoing operational costs which averaged over \$1.4 million annually, primarily for the smart meter network infrastructure and meter data management system. By comparison, the financial analysis conducted on the mobile AMR alternative demonstrated a net present value of customer benefits of almost \$2.1 million.*

- 1.1 Please provide the net present value of customer costs over a 20-year period for the proposed AMR system.
- 1.2 Please provide the net present value of the recoveries in rates from customers over a 20-year period associated with the proposed AMR system and rates.
- 1.3 Please prove the expected salvage value of the project assets at the end of 20 years.
- 1.4 In the event that the instant proposal is approved as filed, please explain if there is any possibility of ratepayers being stuck with stranded costs should the project be abandoned – for any reason at all, including a switch to AMI – or due to there being negative salvage value when the associated assets are retired.
- 1.5 Please explain how the proposed project costs have been allocated among rate classes under the proposal.

**2.0 Reference: Exhibit B-1, Appendix B: NPV Analysis of Vendor A Itron AMR Proposal and Section 2.4.3, pages 19-20.**

- 2.1 Please provide the expected useful life of the proposed AMR system.
- 2.2 Please provide the number of years before the project assets are fully depreciated for ratemaking purposes under the 5% depreciation rate employed.
- 2.3 Is it usual to have a net rate base for a single project that increases each year and thus is higher in year 20 than in the first few years of the project?

- 2.4 Please extend the analysis in this Appendix to cover a 30-year period.
- 2.5 Please explain the line item labelled “Utility Additions – AMR” covers and why this line item is increasing in each and every year of the 20-year horizon.
- 2.6 Please show how the discount rate/Pre-tax WACC of 7.66% for calculating net present values of costs and benefits was derived.
- 2.7 Please explain why a pre-tax WACC is theoretically preferred to a post-tax WACC for use as a discount rate in the NPV analysis.
- 2.8 Please confirm that the ranking of Vendor A versus Vendor B would be unaffected by the use of a post-tax discount rate in the discount factor; if unable to so confirm, please explain.
- 2.9 Please confirm that the ranking in terms of net benefits to customers of the AMR proposal versus the status quo would be unaffected by the use of a post-tax discount rate in the discount factor; if unable to so confirm, please explain.
- 2.10 Please provide a high-level rationale for using a depreciation rate of 5% rather than using straight line depreciation over the expected life of the project. Does such a choice materially affect anything in the instant proposal?

**3.0 Reference: Exhibit B-1, page 31, 4.1.1, Capital Cost Components**

The referenced page states (in part):

*As mentioned previously, PNG(NE) has an agreement with Vendor A to hold the quotation firm until the end of the third quarter of 2020, provide PNG(NE) with capital cost certainty for the AMR Project. In addition, PNG(NE) has included a contingency provision of 15% to address the risk of capital cost overruns.*

- 3.1 If the quotation is firm, why is there a provision of 15% for Contingency included in the estimate?
- 3.2 In PNG NE’s opinion, what is the likelihood that the 10% Overhead and 15% Contingency bump ups in cost will be spent and subsequently be recovered from ratepayers?

**4.0 Reference: Exhibit B-1, Data Privacy**

- 4.1 Are there any privacy related issues that could potentially arise as a result of implementing the proposal?