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October 1, 2007

Ministry of Energy, Mines and Petroleum Resources  
Oil and Gas Policy Branch  
Oil and Gas Division  
5<sup>th</sup> Floor, 1810 Blanshard Street  
P.O. Box 9323 Stn Prov Govt  
Victoria, BC V8W 9N3

Attention: Mr. Duane Chapman, Senior Regulatory Advisor

Dear Sir:

**Re: Terasen Gas Inc. ("TGI") and Terasen Gas (Vancouver Island) Inc. ("TGVI")  
Application for System Extension & Customer Connection Changes Review  
(the "Application") Project No. 3698472  
Response to the Ministry of Energy, Mines and Petroleum Resources  
("MEMPR") Information Request ("IR") No. 1**

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In accordance with Commission Order No. G-114-07 setting out the amended Regulatory Timetable for the Application, TGI and TGVI respectfully submit the attached response to MEMPR IR No. 1.

If there are any questions regarding the attached, please contact Mr. Tom Loski, Director, Regulatory Affairs at (604) 592-7464.

Yours very truly,

**TERASEN GAS INC. and  
TERASEN GAS (VANCOUVER ISLAND) INC.**

***Original signed by: Tom Loski***

**For:** Scott A. Thomson

cc: Erica M. Hamilton, Commission Secretary  
Registered Parties (e-mail only)

Attachment



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|---|-------------------------------------|
| Terasen Gas Inc. ("TGI") and Terasen Gas (Vancouver Island) Inc. ("TGV")<br>Application for System Extension & Customer Connection Changes Review | Submission Date:<br>October 1, 2007 |
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## 1.0 Reference Page 3,4

"The Terasen Utilities see a number of policy actions for which achievement of their objectives will be dependent on changes in the approach to customer connection and attachment for both gas and electric utilities"

Policy Action #2, states "Ensure a coordinated approach to conservation and efficiency is actively pursued in British Columbia"

- 1.1 Terasen is proposing incentives be offered in ways of offering an energy usage and efficiency allowance for customers installing both high efficient space and water heating gas system. Terasen is also proposing incentives to those customers attaining a minimum building efficiency know as LEED (Leadership in Energy and Environmental design). High efficiency gas equipment and building envelope improvements are a couple of tools towards conservation and efficiency. Is this Terasen's complete strategy towards contributing to the Energy Plans conservation and efficiency goals? What other tools if any has Terasen considered?

### **Response:**

The Companies' approach within the current application is intended to address an apparent flaw in the current test that encourages load and therefore may potentially discourage efficiency. The proposed revisions to the approach do not form Terasen Gas' complete strategy toward encouraging conservation and efficiency. As part of its 2006 Annual Review and its extension of the 2004-2207 Performance Based Rate making Settlement Agreement, Terasen Gas committed to filing an application with the British Columbia Utilities Commission in 2007 with respect to energy efficiency and conservation funding programs. The development of that application is currently underway and the Company expects to submit that application before year end. .

- 1.2 How would Terasen view a situation where customers may want to install a gas water or space heating systems in combination with an alternative energy source such as a heat pump or solar energy system?

### **Response:**

The Companies would view and treat such a situation in similar fashion to other load saving consumer behaviours. That is, an average consumption would be assumed for the natural gas equipment being installed, with the appropriate efficiency incentives assumed for high efficiency furnaces and/or building envelope improvements, to that which would occur if the gas were the primary fuel (since we may not be in a position to determine the primary energy source). The average consumption methodology assumes that some customers will use more than the average and some customers will



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use less than the average depending upon the appliance usage and pattern, size and age of house, and insulation.

The Companies generally recognize that current market, environmental and societal conditions have driven and will continue to drive innovation toward alternate energy systems. Where conditions and consumer preference suggest that natural gas be used as a back-up fuel for such systems, Terasen Gas may not always be aware that gas is not the primary heating fuel. Increasingly, we might expect that such systems might be retrofitted onto existing properties. Such installations often create the same or greater peak requirements for natural gas, even though the annual load is reduced. However, the alternative for the builder or developer would be to use electric base board heat as the back-up, which would likely be less efficient and impose the increases on the peak requirements for electricity.

Installations using natural gas as a back-up would be at the bottom end of the distribution curve for gas used in furnaces, and over time, along with other conservation measures and technological advancements will help to shift the average usage downward. Just as it would be counter productive to discourage the use of high efficiency appliances, it would seem counter productive to discourage other conservation strategies. Allowing the full appliance load for a gas back-up system is consistent with the request in the Application to pool all main extensions over a year and maintain the aggregate PI > 1.1. In circumstances where we are working with the engineers and developers, we will continue to encourage the use of natural gas for other heat related appliances such as ranges, clothes dryers, fireplaces and barbecues, in order to improve the cost and lifestyle benefits to the consumer. Continuing to do so will help mitigate some or all of the potential impacts on the overall system costs.

1.3 How would Terasen estimate the use per customer in a scenario of a customer wanting natural gas service but has or is considering using an alternative energy solution in combination with gas for the purpose of space or water heating needs?

**Response:**

As discussed above in the response to Question 1.2, a natural gas heating appliance's consumption would be reflected in the main extension test using average consumption values plus the applicable adjustments based on efficiency that are described in Section 6 of the Application. This approach ensures that the customer is not penalized for conserving energy.

Ensuring that alternative energy systems are not disadvantaged in the main extension test is only a portion of Terasen's strategy in the promotion of conservation and energy efficiency. Other activities such as the DSM initiatives referenced in the response to Question 1.1 above complement the proposed changes to how alternative energy systems are treated with respect to forecasted consumption.



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## 2.0 Reference MX Test Recommendations Page 25

"On a system wide basis the Companies proposes that each utility will have an aggregate annual main extension of PI of 1.1"

2.1 Will individual service connections that have energy efficiency credits have those same credits backed out when calculating the aggregate PI?

**Response:**

No, the credits will stay in when calculating the aggregate PI.



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**3.0 Reference Table 6.1 page 28**

3.1 Please provide the use per appliance that will be used for each gas appliance listed in Table 6.1 for TGI and then again for TGVI.

**Response:**

| <b>Appliance</b>   | <b>TGI/TGVI Consumption (GJ)</b>      |
|--|---------------------------------------|
| Pool   | 53                                    |
| Hot tub  | 18                                    |
| Range  | 8                                     |
| Fireplace Heating  | 17                                    |
| Fireplace non-heating                                      | 16                                    |
| Dryer  | 4                                     |
| BBQ  | 3                                     |
| Patio Heater   | (dependent upon number and size)      |
| Furnace/Boiler   | 60                                    |
| Water Heater   | 21                                    |
| Furnace and Water Heating                                  | 105% X Furnace and Water Heater Value |
| High Efficient Space and Water Heating                     | 110% X Furnace and Water Heater Value |
| High Efficient Furnace and Water Heating and LEED Building | 115% X Furnace and Water Heater Value |