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August 15, 2008

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

Attention: Mr. Duane Champan, Senior Regulatory Advisor

Dear Mr. Chapman:

**Re: Terasen Gas Inc. and Terasen Gas (Vancouver Island) Inc. (collectively the
"Companies" or the "Terasen Utilities")
Energy Efficiency and Conservation Programs Application - Project No.
3698512**

**Response to the Ministry of Energy, Mines and Petroleum Resources
("MEMPR") Information Request ("IR") No. 1**

On May 28, 2008, the Companies filed the Application as referenced above. In accordance with the British Columbia Utilities Commission Order No. G-102-08 setting out the Preliminary Regulatory Timetable for the Application, the Terasen Utilities respectfully submit the attached response to MEMPR IR No. 1.

If there are any questions regarding the attached, please contact the undersigned.

Yours very truly,

On behalf of the TERASEN UTILITIES

Original signed

Tom A. Loski

Attachment

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



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| Terasen Gas Inc ("Terasen Gas" or "TGI") and Terasen Gas (Vancouver Island) Inc. ("TGVI") collectively the "Terasen Utilities" or the "Companies" Energy Efficiency and Conservation Programs Application (the "Application") | Submission Date: August 15, 2008 |
| Response to Ministry of Energy, Mines and Petroleum Resources ("MEMPR") Information Request ("IR") No. 1 | Page 1 |

1.0 Reference: Exhibit B-1, Section 6.10, The Industrial Sector, page 78; and Response to BCUC IR No. 1, Section 38.3, page 75

1.1 In response to BCUC IR No. 1, Section 38.3, TGI and TGVI (the "Companies") referenced their involvement in "the Ministry of Energy, Mines and Petroleum Resources-led industrial efficiency working group." What projects or initiatives do the Companies intend to support to promote the objectives of this working group?

Response:

The projects and initiatives for the MEMPR industrial efficiency working group have not been as yet identified. Meetings to date have revolved around what support the provincial government could give to industrial customers to encourage energy efficiency. Discussions as of yet have not centered on what utilities could provide. As there are no current initiatives or projects yet identified, support from the Companies has not yet been required. The Companies' support for the as yet undetermined initiatives will depend upon the specific initiative and the support from other stakeholders (BC Hydro, the Province etc.).

1.2 Further to Question 1.1, what is the budget amount that has been allocated for these projects or initiatives?

Response:

As there are no current projects or initiatives determined there has been no budget allocation.



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2.0 Reference: Exhibit B-1, Section 6.6.1, DSM for Affordable Housing, p. 67; and Response to BCUC IR No. 1, Section 29.1, p. 60.

2.1 The Demand-side Management (DSM) for Affordable Housing heading is under section 6 (Joint Initiatives) of the Application. The budget allocation for Section 6 is \$3 million. What portion of this budget do the Companies intend to allocate to DSM for Affordable Housing?

Response:

The proposed Energy Efficiency and Conservation budget of \$56.6 million includes the \$3 million dollars over three years for Joint Initiatives. This amount will be used towards Joint Initiatives, including DSM for Affordable Housing, if the EEC proposed budget amount is approved in its entirety. The specific portion allocated to Affordable Housing has yet to be determined.

2.2 As the convener of the Working Group on DSM for Affordable Housing, what are the Companies' objectives for programming and funding in this area?

Response:

The programs targeting low-income customers will be consistent with the Program Principles discussion in Section 5 of the EEC Application, in particular:

1. Programs will have a goal of being universal, offering access to energy efficiency and conservation for all residential and commercial customers, including low income customers through the DSM for Affordable Housing Initiative.
8. The Companies will continue to seek funding for program from additional sources, such as the provincial and federal governments, other utilities, and equipment suppliers and manufacturers, in order to minimize the cost impacts of EEC programs to ratepayers, and in recognition of the broader societal benefits resulting from successful program development and implementation.¹

The funding for DSM for Affordable Housing component will be determined after the review of EEC application is completed. If Terasen's proposal for LiveSmartBC Efficiency Incentive Program Low-Income Household RFP is successful, the Companies will collaborate with MEMPR, FortisBC and Eaga Canada Services Inc. to develop and implement a pilot program described in the proposal with additional funding coming from the Joint Initiative portfolio. If RFP is not successful, the Companies will develop a pilot program targeting low-income customers with consultation and where possible, collaboration from other members of the EEAH Working Group.



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2.3 If the Application is approved, what would the timeline be for the launch of the DSM for Affordable Housing program?

Response:

Once a decision regarding the Application is made by the BCUC, the Companies will require approximately three to six months to develop and launch most of its programs contained within the EEC application.



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3.0 Reference: Exhibit B-1, Section 6.6.2., Support for Audits for a Provincial Home Retrofit Program, p. 67; and Response to BCUC IR No. 1, Section 30.1 and 30.3, page 62.

3.1 The Companies state in section 30.1 of the response to BCUC IR No. 1 that no budget has been established for funding audits to support the provincial LiveSmartBC program, as the program has just been introduced to the market.

Please provide a high-level, order-of-magnitude estimated budget (single number or a range) for this program based on the experience of similar programs which have been in the BC market for many years (i.e. the provincial Energy Savings Plan pilot project and/or the federal EnerGuide or ecoENERGY programs).

Response:

The Companies' budget for post-audits for customers would be calculated based upon a certain amount per post-audit multiplied by the number of participants. The Companies have not yet done the research needed to determine what portion of the cost of a post-audit the Companies would need to fund in order to spur completion of the post-audit and therefore a claim under LiveSmartBC by Terasen's customers. This research would be done upon approval of the Application by the Commission, however, LiveSmartBC advises that participant levels are forecast to be 14,000 assessments and 4,900 retrofits. The number of participants in a post-audit funding program under the Joint Initiatives program area would be based upon the number of Terasen Utilities customers participating in the 4,900 retrofit participant number multiplied by whatever portion of the cost of the post-audit the Companies' research finds is needed to spur participation.

3.2 What is the Companies' timeline for introducing this audit program, if the Energy Efficiency and Conservation Programs Application is approved?

Response:

The Companies anticipate that the research and program development necessary to establish a program to provide full or partial funding for post-audits for the Terasen Utilities' customers participating in the LiveSmartBC could be completed in three months following Commission approval for funding of the Joint Initiatives Program Area proposed in the EEC Application.



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3.3 How will the Companies work to coordinate their efforts with MEMPR, FortisBC and BC Hydro, who are already co-funding audits and retrofits under the LiveSmartBC program?

Response:

The Companies have a good track record of working with MEMPR, FortisBC and BC Hydro on DSM programs, as noted in Section 7.3.2 of the EEC Application. The Companies anticipate that they would follow the same process that has been followed in past collaborations where a formal Agreement regarding program partnership is developed over the course of informal discussions and if needed, a proposal from LiveSmartBC to the Companies regarding participation in this program.

3.4 Have the Companies considered whether integrating the residential retrofit program incentives, described in section 6.3.1 of the Application, would generate more energy savings than supporting the post-retrofit evaluation as proposed in section 6.6.2?

Response:

The Companies have projected participation rates in the measures in section 6.3.1 of the Application, and energy savings are predicated upon those participation rates, which are detailed in the response to BCUC IR 1.56.2. The Companies' view is that those participation levels are reasonable for the measures proposed in the Application, and the energy savings would be realized if funding for those measures was made available, whether the incentives to install the measures are integrated into LiveSmartBC, or standalone, or some combination thereof. As noted in the response to MEMPR I.R. 1.3.1 above, the purpose of full or partial funding of post-retrofit audits is to spur participation in LiveSmartBC by Terasen customers, anticipating that at least some of the energy savings proposed for the individual residential measures could be achieved by incorporating some of the residential measures proposed into the LiveSmartBC program.

3.5 Please outline the rationale for supporting audits rather than integrated retrofits incentives.

Response:

Please see the response to MEMPR IR 1.3.4. If funding for the Joint Initiatives program area is approved, full or partial funding of post-audits would be in addition to incentives for residential retrofits which could be incorporated into LiveSmartBC, or be offered on a standalone basis.