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September 25, 2009

Regulatory Affairs Correspondence
Email: regulatory.affairs@terasengas.com

British Columbia Utilities Commission
Sixth Floor, 900 Howe Street
Vancouver, B.C.
V6Z 2N3

Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: Terasen Gas Inc. ("Terasen Gas")
2010 and 2011 Revenue Requirements and Delivery Rates Application**

**Response to the British Columbia Utilities Commission ("BCUC" or the
"Commission") Information Request ("IR") No. 2 (Exhibit B-12)**

Revised Responses to BCUC IR 2.62.2 and 2.62.3

On June 15, 2009, Terasen Gas filed the Application as referenced above. In accordance with Commission Order No. G-89-09 setting out the Regulatory Timetable for the Application, on September 11, 2009, Terasen Gas submitted its response to BCUC IR No. 2.

Terasen Gas became aware of an inadvertent omission from the response to BCUC IR 2.62.2 as well as formatting corrections to the response to BCUC IR 2.62.3.

Terasen Gas respectfully submit the attached erratum to the response to BCUC IR 2.62.2 (Exhibit B-12, pages 175-178) in black-lined to identify the revision and a clean version for replacement insertion into Binder Volume 6.

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

Yours very truly,

TERASEN GAS INC.

Original signed:

Tom A. Loski

Attachment

cc (e-mail only): Registered Parties



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**62.0 Reference: Energy Efficiency and Conservation
Exhibit B-1, Part III, Section C, Tab 3, Table C-3-2, p. 229
Exhibit B-4, BCUC 1.26.1 and BCUC 1.27.1**

"TGI is seeking approval in this Application "for funding in 2011 for program areas outlined in the EEC Application and already approved by the Commission for 2010...". The same benefits for EEC expenditures already approved by the Commission will be derived from the EEC expenditure being requested in this Application for 2011." (Exhibit B-4, BCUC1.27.1, p. 65, par. 2)

62.1 Please confirm the request in this revenue requirements application is for an additional \$23.075 million for 2011 as an extension of the programs approved in Order G-36-09, and for new Interruptible Industrial and Innovation Technologies programs for 2010 and 2011 of \$9.313 million.

Response:

Confirmed. This information was included in Table C-3-2 on page 229 of the Application and in the table included in the response to BCUC IR 1.27.1.

62.2 In the decision referenced in Order G-36-09, the Commission accepted TGI's proposal for accountability mechanisms and directed Terasen is to file an annual report on its EEC activities. Please confirm when the first report will be available.

Response:

It is anticipated that the first report will be available by March 31, 2010, for activity in 2009. See Program Principle # 6 on page 47 of the Terasen Utilities' EEC Application, which is copied below for ease of reference (emphasis added).

Terasen Utilities' EEC Application Excerpt from page 47

Program Principles

Below, the Terasen Utilities have identified the key principles that guided the selection of particular EEC initiatives and programs within the program areas identified in this Application, and would guide the development and implementation of the initiatives and programs should the increased EEC funding be approved. Many of the principles are based on the "DSM Best Practices" report prepared for the Canadian Gas Association in 2005 by IndEco Consulting in association with B. Vernon and Associates, which is attached at Appendix 10.

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.
2. Wherever possible, programs will be uniform, so that customers in one part of the service territories of the Terasen Utilities have access to the same programs as customers throughout the service territories.

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3. EEC expenditures will be efficient, with non-incentive costs not exceeding 50% of the expenditure in a given year.
4. Program results will be analyzed on a portfolio-wide basis.
5. The Total Resource Cost/Benefit of the Portfolio over the funding period will have a ratio of 1 or higher
6. The Terasen Utilities will submit an Annual EEC Report to the BCUC, by the end of the first quarter of each year, that details the results of the previous year's programs and anticipates program activity and spending for the upcoming (current) year.
7. To every extent practical, programs will support the objectives of established government policies.
8. The Companies will continue to seek funding for programs 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.
9. Incentives may be directed to the end users of an appliance, to the customer point of contact at the time that an equipment purchase decision is made (for example, to the gas contractor in the case of a furnace), to a system designer or engineer, or to an equipment developer, supplier or manufacturer. The most effective use of incentives will be determined through the program design process.
10. Education and outreach regarding conservation will be part of the Companies' EEC activity.
11. Programs will be multi-year so as to create a sense of funding certainty necessary to effective implementation in the marketplace – this Application requests funding for a three-year Portfolio of EEC programs.
12. Programs will have market transformation as their ultimate goal, and program plans will describe how a program will contribute to market transformation.
13. Programs will aim to develop capacity within the market through manufacturers, distributors, vendors and installers.
14. To ensure value creation and alignment with the market, the Companies will establish and engage an EEC stakeholder group, comprised of governments, industry, trades, manufacturers, NGOs, advocacy groups, other utilities and customers to provide it with advice on effective program design and implementation, as well as some oversight of the Companies' EEC activity and expenditure. Consideration may be given by the Companies to consolidate the Terasen Utilities' EEC Stakeholder activity with stakeholder activity currently being undertaken by other utilities in order to reduce potential "stakeholder fatigue".
15. The Companies will continue to seek funding for programs from additional sources, such as the provincial and federal governments, other utilities, and



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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.

62.3 Please comment on why it is appropriate to extend the EEC program when there has been no evidence of benefits from the program approved under Order G-36-09?

Response:

Program Principle #11 on page 48 of the Terasen Utilities' EEC Application, and copied in BCUC IR 2.62.2, is to have programs that span multiple years to provide some assurance to market actors such as manufacturers, distributors, retailers, installers, engineering firms, architects, developers and government that investments that they make in training, equipment, etc to support EEC activity will be a good long-term investment.

The Company's goal is to support market transformation. The original application, which was for 3 years worth of activity spanning 2008 to 2010, would have afforded the Company the opportunity to launch its 3 year EEC portfolio of new programs. Commission Order No. G-36-09 was issued in April 2009, so in order to have 3 years worth of EEC activity and the resultant certainty in the marketplace around the program areas approved in the Decision, the Company felt that it was appropriate to include a request for funding to extend to 2011 the EEC activity approved in Order No. G-36-09.

The EEC activity put forward in the EEC proceeding, and approved in Order No G-36-09 is supported by the 2007 BC Energy Plan, which included Policy Action #3: "Utilities are to pursue all cost-effective investments in demand side management resources". Clearly there is an expectation on the part of government that utilities will pursue EEC activity; the funding requested in this Application is to continue the EEC activity already approved in Order No. G-36-09. TGI also expects that for the 2012 period forward it will request funding so as to continue its EEC activity.

Prior to the approval of the EEC Application, our customers have had limited access to EEC opportunities. In the years 2005 to 2008, TGI was able to deliver EEC programs to our customers with positive TRC results in spite of a limited budget. The additional funding that we now have available as a result of the Order No. G-36-09 will allow TGI to move forward with new programs which we have projected will produce on a portfolio basis a healthy TRC ratio well above the 1.0 level that we are required to meet. The Company believes that we will be able to provide the best benefit to our customers by being able to assure the energy efficiency marketplace that funding will be in place to support EEC activities in the long term."

"The Companies did not receive approval for expenditures for innovative technologies and the Companies were directed to bring forward projects in this program area for consideration as the projects become more fully developed." (Exhibit B-1, Part III, Section C, Tab 3, p.228)



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62.4 Recognizing the Commission direction referenced, please explain why it is appropriate to include in this revenue requirement application the extension and expansion of a specific program that was approved by the Commission as a separate decision outside of the revenue requirements process?

Response:

TGI did not apply for the original EEC funding as part of a revenue requirement application as it was in the middle of the PBR Period. As that settlement is about to expire, and the funding approved via Order No. G-36-09 only covers half of the RRA period, it would be necessary for the Company to apply, by some method, for EEC funding from 2011 forward.

Although the EEC funding is being sought as part of this filing, it is being sought under the same section of the UCA as was the original EEC Application funding. TGI believes that from the aspect of regulatory efficiency it is more desirable to include the extension and expansion of EEC funding (which has already been approved by the Commission) within the RRA rather than filing a separate application part way through the RRA. With the inclusion of these programs, the Company is just extending, with minor revisions, what has already been approved. TGI is also responding to the Commission direction to bring forward projects for consideration once they become more fully developed and, for regulatory efficiency, is doing so within this RRA.

**63.0 Reference: Energy Efficiency and Conservation Programs and Alternative Energy Solutions
Exhibit B-4, BCUC 1.27.2, p. 67
Energy Efficiency – TRC Test**

On page 67 of TGI's response to BCUC 1.27.2, the following summary of portfolio TRC is provided:

Year	Portfolio TRC Ratio
2010	2.7
2011	2.5

63.1 In tabular form, please provide additional detail for 2010 and 2011 indicating the composition of the individual energy efficiency programs in 2010 and 2011. Please also include projected TRC results for each program expressed as a net present value (NPVTRC) of the benefits and costs over the specified period. Please provide a fully functioning electronic spreadsheet and a discussion of assumptions used in the calculations.

Response:

Please refer to the response to BCUC IR 2.56.1.



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