



Tom A. Loski  
Chief Regulatory Officer

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16705 Fraser Highway  
Surrey, B.C. V4N 0E8  
Tel: (604) 592-7464  
Cell: (604) 250-2722  
Fax: (604) 576-7074  
Email: [tom.loski@terasengas.com](mailto:tom.loski@terasengas.com)  
[www.terasengas.com](http://www.terasengas.com)

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

Regulatory Affairs Correspondence  
Email: [regulatory.affairs@terasengas.com](mailto:regulatory.affairs@terasengas.com)

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 Response to BCUC IR 2.11.6**

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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 (Exhibit B-12).

On September 24, 2009, Terasen Gas became aware of a new Ontario Order-in-Council, issued pursuant to the *Ontario Energy Board Act*, that enables Union Gas Limited and Enbridge Gas Distribution Inc. to own and operate assets of renewable energy projects in furtherance of that province's energy conservation objectives. Those utilities had previously been prohibited from doing so. Terasen Gas felt it was necessary to revise its response to BCUC IR 2.11.6 (Exhibit B-12, pages 33 and 34), which had asked about other North American utilities that are permitted to provide alternative energy, to reflect this new information.

Terasen Gas respectfully submits the attached revised response to BCUC IR 2.11.6 (Exhibit B-12, pages 33 and 34) for replacement insertion into Binder Volume 6. Note that there is no change to the response to BCUC IR 2.11.7 on page 34 which has been included for ease of page replacement. Also included for insertion into Binder Volume 6 is an addition to Attachment 11.6.

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

Yours very truly,

**TERASEN GAS INC.**

***Original signed by: Diane Roy***

**For:** Tom A. Loski

Attachment

cc (e-mail only): Registered Parties



Terasen Gas Inc. ("TGI", "Terasen Gas" or the "Company") 2010-2011 Revenue Requirements Application	<b>Revised Date:</b> September 28, 2009
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solutions. The sharing of common costs will be beneficial to existing natural gas customers; however, it is likely to be a number of years before this benefit is materially realized. The alternative energy solutions that TGI has included in the RRA therefore do not immediately reduce the business risk inherent to the natural gas business.

The natural gas business risk will be mitigated to a degree if the Terasen Gas is successful in attracting new business in these alternative energy solutions so that enough shared services costs can be allocated to these new energy alternative solutions over time to help in offsetting the impact of lost throughput on the natural gas systems. It is also the intent that by providing new alternative energy solutions, Terasen Gas will be better able to keep natural gas as part of the solution relating to delivering integrated energy solutions to customers.

- 11.6 Please provide examples of North American natural gas distribution utilities that are permitted provide alternative energy services and include alternative energy capital costs in gas utility rate base.

**Response:**

On September 8, 2009, the Lieutenant Governor of Ontario approved an Order-in-Council (included in Attachment 11.6), pursuant to the *Ontario Energy Board Act*, that enables Union Gas Limited ("Union Gas") and Enbridge Gas Distribution Inc. ("Enbridge") to own and operate assets that will help the Province achieve its energy conservation objectives, including assets related to solar-thermal water and ground source heat pumps. The Order-in-Council also permits Union Gas and Enbridge to own and operate renewable energy electric generation facilities producing less than 10 megawatts, generation facilities that produce power and thermal energy from a single source and energy storage facilities. Since the Ontario legislation did not provide for the ability of a gas delivery company to own and operate alternative energy facilities, the Order in Council now permits Union Gas and Enbridge to provide alternative energy solutions for its customers in addition to natural gas services, thereby helping the province meet its energy objectives. There is therefore a precedent within Canada for gas distribution companies to be permitted to provide alternative energy to meet provincial energy objectives

TGI believes that its own alternative energy solutions will help the province of British Columbia to meet its energy objectives, which are embedded in the *Utilities Commission Act* as the "government's energy objectives". Unlike the situation in Ontario, however, an Order-in-Council is not needed to permit TGI to own and operate alternative energy projects, since the *Utilities Commission Act* already permits TGI to do so and provides the BCUC with the necessary jurisdiction to approve TGI's proposals with respect to alternative energy solutions as set forth in this application.

In addition, Attachment 11.6 includes a report which demonstrates that while not common, there are energy providers that have started out as natural gas providers and have transitioned into the provision of other energy forms. TGI was not able to determine if the alternative energy services were included in the natural gas rate base.



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The fact that it is not common in other jurisdictions at the present time for alternative energy services to be offered to within a traditional utility context does not speak strongly as to whether it is appropriate or inappropriate to do so in BC. Energy legislation, climate change legislation and the policy context in which utilities operate all vary from one jurisdiction to the next. BC's climate change and GHG reduction commitments are very strong and, with so much of the province's electricity coming from hydro sources, the opportunities to obtain GHG reductions from the electric sector are minimal compared to other jurisdictions. The Province has indicated its desire to have public utilities play an important role in implementing its Energy Plan policies. As the province, Canada and the world move into a carbon constrained operating environment, TGI believes that it will become more and more common for utilities in many jurisdictions to offer service for more than one form of energy.

With respect to British Columbia, there is precedent for a utility providing more than one service. Notably, BC Hydro used to provide both electricity and gas service to customers within the same corporate entity. Today, there is still nothing in the Utilities Commission Act that restricts or prohibits a provider of one energy form from providing another energy form. TGI currently provides both natural gas and propane (Revelstoke) service to customers. TGI believes that the provision of more than one form of energy is good for both existing gas customers as well as new customers, whether they are gas or alternative energy customers, and as such, inclusion of the alternative energy service within the gas utility is appropriate. The economic tests developed by TGI and proposed in this Application protect customers by ensuring that the alternative energy customers pay rates based on their cost of service.

- 11.7 For a specific energy use (heating, hot water), will customers who utilize alternative energy as their primary energy source and natural gas as a secondary energy source, have a lower load factor than customers that utilized natural gas as their primary energy source?

**Response:**

Potentially. This depends, however, upon the nature of the alternative energy source and the types of other natural gas appliances in the home. Additionally, this is no different than if natural gas customers participate in EEC offerings which could have the effect of changing the load factor. Note that some current natural gas customers will transition to alternative energy sources whether or not TGI is able to provide these services. If TGI provides these services, it is better positioned to ensure that gas is used in the appropriate appliances and the customer's overall energy system is properly configured. In doing so, TGI can ensure that the load factor is as high as possible. If alternative energy is provided by another provider, there would be no benefit from that provider in seeking to maintain the natural gas system load factor and they would not have an interest in promoting gas use as a back-up heating fuel or in other end uses.



Ontario  
Executive Council  
Conseil des ministres

### Order in Council Décret

On the recommendation of the undersigned, the Lieutenant Governor, by and with the advice and concurrence of the Executive Council, orders that:

Sur la recommandation du soussigné, le lieutenant-gouverneur, sur l'avis et avec le consentement du Conseil des ministres, décrète ce qui suit:

**WHEREAS** Enbridge Gas Distribution Inc. and related parties ("Enbridge") gave undertakings to the Lieutenant Governor in Council that were approved by Order in Council on December 9, 1998 and that took effect on March 31, 1999 ("the Enbridge Undertakings"), and Union Gas Limited and related parties ("Union") gave undertakings to the Lieutenant Governor in Council that were approved by Order in Council on December 9, 1998 and that took effect on March 31, 1999 ("the Union Undertakings");

**AND WHEREAS** the Minister of Energy and Infrastructure has the authority under section 27.1 of the *Ontario Energy Board Act, 1998* to issue directives, approved by the Lieutenant Governor in Council, that require the Ontario Energy Board to take steps specified in the directives to promote energy conservation, energy efficiency, load management and the use of cleaner energy sources including alternative and renewable energy sources;

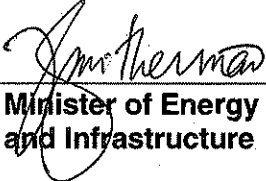
**AND WHEREAS** The Government of Ontario has, with the passage of the *Green Energy and Green Economy Act, 2009*, embarked upon a historic series of initiatives related to promoting the use of renewable energy sources and enhancing conservation throughout Ontario;

**AND WHEREAS** certain amendments to the *Ontario Energy Board Act, 1998* provided for by the above-noted statute authorize electricity distribution companies to directly own and operate renewable energy electricity generation facilities with a capacity of ten (10) megawatts or less, facilities that generate heat and electricity from a single source, or facilities that store energy, subject to criteria to be prescribed by regulation;

**AND WHEREAS** it is desirable that both Enbridge and Union are accorded authority similar to those of electricity distributors to own and operate the kinds of generation and storage facilities referenced above, while clarifying that the latter two activities, namely the ownership and operation of facilities that generate heat and electricity from a single source, or facilities that store energy, are to be interpreted to include stationary fuel-cell facilities each of which does not exceed 10 Megawatts in capacity, as well as to allow Enbridge and Union the authority to own and operate assets required in respect of the provision of services by Enbridge and Union that would assist the Government of Ontario in achieving its goals in energy conservation including where such assets relate to solar-thermal water and ground-source heat pumps;

**AND WHEREAS** the Minister of Energy has previously issued a directive pursuant to section 27.1 in respect of the Enbridge Undertakings and the Union Undertakings, under Order-in-Council No. 1537/2006, dated August 10, 2006.

**NOW THEREFORE** the directive attached hereto is approved and is effective as of the date hereof.

Recommended:   
Minister of Energy  
and Infrastructure

Concurred:   
Chair of Cabinet

Approved and Ordered: SEP 08 2009  
Date

  
Lieutenant Governor

## MINISTER'S DIRECTIVE

### **Re: Gas Utility Undertakings Relating to the Ownership and Operation of Renewable Energy Electricity Generation Facilities, Facilities Which Generate Both Heat and Electricity From a Single Source and Energy Storage Facilities and the Ownership and Operation of Assets Required to Provide Conservation Services.**

Enbridge Gas Distribution Inc. and related parties gave undertakings to the Lieutenant Governor in Council that were approved by Order in Council on December 9, 1998 and that took effect on March 31, 1999 ("the Enbridge Undertakings"); and Union Gas Limited and related parties gave undertakings to the Lieutenant Governor in Council that were approved by Order in Council on December 9, 1998 and that took effect on March 31, 1999 ("the Union Undertakings").

The Government of Ontario has, with the passage of the *Green Energy and Green Economy Act, 2009*, embarked upon a historic series of initiatives related to promoting the use of renewable energy sources and enhancing conservation throughout Ontario.

One of those initiatives is to allow electric distribution companies to directly own and operate renewable energy electricity generation facilities of a capacity of not more than 10 megawatts or such other capacity as is prescribed by regulation, facilities which generate both heat and electricity from a single source and facilities for the storage of energy, subject to such further criteria as may be prescribed by regulation.

The Government also wants to encourage initiatives that will reduce the use of natural gas and electricity.

Pursuant to section 27.1 of the *Ontario Energy Board Act, 1998*, and in addition to a previous directive issued thereunder on August 10, 2006 by Order in Council No. 1537/2006, in respect of the Enbridge Undertakings and the Union Undertakings, I hereby direct the Ontario Energy Board to dispense,

- under section 6.1 of the Enbridge Undertakings, with future compliance by Enbridge Gas Distribution Inc. with section 2.1 ("Restriction on Business Activities") of the Enbridge Undertakings, and
- under section 6.1 of the Union Undertakings, with future compliance by Union Gas Limited with section 2.1 ("Restriction on Business Activities") of the Union Undertakings,

in respect of the ownership and operation by Enbridge Gas Distribution, Inc. and Union Gas Limited, of:

- (a) renewable energy electricity generation facilities each of which does not exceed 10 megawatts or such other capacity as may be prescribed, from time to time, by

regulation made under clause 71(3)(a) of the *Ontario Energy Board Act, 1998* and which meet the criteria prescribed by such regulation;

- (b) generation facilities that use technology that produces power and thermal energy from a single source which meet the criteria prescribed, from time to time, by regulation made under clause 71(3)(b) of the *Ontario Energy Board Act, 1998*;
- (c) energy storage facilities which meet the criteria prescribed, from time to time, by regulation made under clause 71(3)(c) of the *Ontario Energy Board Act, 1998*; or
- (d) assets required in respect of the provision of services by Enbridge Gas Distribution Inc. and Union Gas Limited that would assist the Government of Ontario in achieving its goals in energy conservation and includes assets related to solar-thermal water and ground-source heat pumps;
- (e) for greater certainty, the use of the word "facilities" in paragraphs (b) and (c) above shall be interpreted to include stationary fuel-cell facilities each of which does not exceed 10 Megawatts in capacity.

This directive is not in any way intended to direct the manner in which the Ontario Energy Board determines, under the *Ontario Energy Board Act, 1998*, rates for the sale, transmission, distribution and storage of natural gas by Enbridge Gas Distribution Inc. and Union Gas Limited.



George Smitherman  
Deputy Premier, Minister of Energy and Infrastructure