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November 8, 2010

Regulatory Affairs Correspondence  
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British Columbia Public Interest Advocacy Centre  
Suite 209 – 1090 West Pender Street  
Vancouver, BC  
V6E 2N7

Attention: Mr. James L. Quail, Executive Director

Dear Mr. Quail:

**Re: Terasen Utilities (comprised of Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc. and Terasen Gas (Whistler) Inc.) 2010 Long Term Resource Plan**

**Response to the British Columbia Public Interest Advocacy Centre on behalf of the British Columbia Old Age Pensioners Organization et al (“BCOAPO”) Information Request (“IR”) No. 2**

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On July 15, 2010, Terasen Gas filed the Application as referenced above. In accordance with Commission Order No. G-146-10 setting out the Amended Regulatory Timetable for the review of the Application, the Terasen Utilities respectfully submit the attached response to BCOAPO IR No. 2.

If there are any questions regarding the attached, please contact the undersigned or Ken Ross at (604) 576-7343 or [ken.ross@terasengas.com](mailto:ken.ross@terasengas.com) for further information.

Yours very truly,

**on behalf of the TERASEN UTILITIES**

***Original signed:***

Diane Roy

Attachment

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



Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc. Terasen Gas (Whistler) Inc. [collectively (the "Terasen Utilities" or the "Utilities")] 2010 Long Term Resource Plan (the "2010 LTRP" or the "Application")	Submission Date: November 8, 2010
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**1.0 Reference: BCOAPO IR 1.1.2 and 1.1.4**

- 1.1 Please indicate whether alternative energy customers will be made aware that there will be retroactive cost recovery based on the balance in the New Energy Solutions Deferral Account.

**Response:**

As stated in response to BCOAPO IR 1.1.4, the methodology and time period for recovery of the balance in the New Energy Solutions deferral account will be established as part of a future application and will be reviewed by stakeholders as part of setting rates for New Energy Solutions. The alternate energy customers will have the opportunity to participate in the regulatory process resulting from the application, and gain an understanding of the costs included in the determination of future rates.

There are many cost components and rate design considerations involved in establishing new rate classes or classes of service. Revenue from rates and costs may not be equal initially. It is not uncommon for a new utility or new class of service to have revenue deficiency mechanisms established by which there is deferred recovery of costs. If a new utility or new class of service had to recover the full cost of service from its initial group of customers no one would connect to the system because the initial rates would be prohibitive. The New Energy Solutions deferral account is capturing start up costs associated with the establishment of a new class of service. It is appropriate to recover these and other deferred costs from customers as customer growth occurs in the new energy solutions market.

- 1.2 Please indicate when TGI expects to establish the methodology and time period for recovery of the balance in the New Energy Solutions Deferral Account.

**Response:**

TGI has not yet established a methodology or time period for recovery of the balance in the New Energy Solutions Deferral Account. Further information on the New Energy Solutions' business model will be provided in an application expected to be filed in the first quarter of 2011. The filing may not include a specific forecasted time period for recovery of the account since its period of recovery will depend on the approval and success of future New Energy Solutions projects.



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**2.0 Reference: BCOAPO IR 1.2.1**

2.1 TU’s response included the following sentence from the Commission’s 2008 LTAP Decision: “In essence, the Commission must accept an LTAP if the Commission determines that the carrying out of the plan would be in the public interest, or reject the LTAP either in whole or in part.” (Emphasis added). Please confirm that this sentence indicates that the Commission may reject parts of the LTAP that it finds not to be in the public interest while still complying with section 44.1. If unable to so confirm, please explain fully.

**Response:**

Confirmed. The Terasen Utilities are in general agreement with the position on the jurisdiction of the Commission under section 44.1 that is described in the last paragraph of page 19 of the Commission’s Decision dated July 27, 2009 on BC Hydro and Power Authority’s 2008 LTAP, which states:

*In their written arguments, and, tangentially, in the Oral Argument Phase, there was general agreement among the parties that the Commission could, with reason, reject any particular element or elements of the LTAP as applied for, and that it then became a matter of judgment as to whether the remaining elements constituted an “approvable” LTAP. The parties further were in general agreement that it was appropriate for the Commission Panel in its Decision to advise or otherwise suggest to BC Hydro what changes or other amendments could be made to any rejected parts, or if applicable, the whole of the LTAP so as to enable approval by the Commission should BC Hydro elect to resubmit its LTAP in whole or in part as contemplated by the Act.*



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**3.0 Reference: BCOAPO IR1.3.1**

- 3.1 Please indicate whether the reports of TU's annual compliance reviews, to be conducted by TU's Internal Audit group, will be provided to the Commission and stakeholders for review and input in the context of a formal regulatory process that allows for discovery.

**Response:**

The results of the Annual Review of the Code of Conduct and Transfer Pricing is filed as part of the Terasen Utilities' Annual Reports to the Commission in accordance with Commission letter No. L-36-94 dated December 15, 1994.



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**4.0 Reference: BCOAPO 1.5.1**

4.1 In TU's response to this IR, the annual changes in parameter estimates, number of observations, and R2 statistics that vary by service area/sector/rate class are provided.

Since each different R2 statistic presumably corresponds to a different regression run (except in the case of TGVI where no regressions were run), for each R2 value shown in this response, please provide the regression equation estimated, the parameter estimates, and the t-statistic for each parameter estimate. If unable to provide this information, please explain fully.

**Response:**

The table below illustrates the regression equations estimated for each industry sector and customer class, including the corresponding parameter estimates. Each regression model contains the response variable (y) representing the 12 month rolling total of monthly average use per customer, and the explanatory variable (x) representing the unit change per month, and is determined by applying simple linear regression. The parameter estimates for the slope and intercept are provided within each equation by rate and industry sector. Each equation is estimated by applying the trending function within Microsoft Excel which provides various summary statistics including  $r^2$ . The trending function is used for consistency, ease of application and transparency for this type of analysis at the Terasen Utilities. The T-statistic is not available through the trending function in Excel and therefore the Terasen Utilities considers the  $r^2$  statistic to determine adequacy of the model. As a result, the T-statistics are not provided in the table below.



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<b>TGI Rate 1</b>	<b>Service Area</b>	<b>Estimated Equation</b>	<b>R2</b>
	LML	$y = -0.1535x + 103.76$	80%
	INL	$y = -0.1908x + 81.865$	88%
	COL	$y = -0.1658x + 87.771$	86%
	FTN	$y = -0.1039x + 141.63$	55%
<b>TGVI Rate 1</b>	TGVI	$y = -0.2091x + 60.458$	92%
<b>TGW Rate 1</b>	TGW	$y = -0.0093x + 93.564$	0%
<b>TGI Rate 2</b>	<b>Sector</b>		
	Apartment/Condo	$y = -0.0167x + 1196.1$	52%
	Wholesale/Retail	$y = -0.0213x + 1103.5$	57%
	Restaurant	$y = 0.0029x + 386.18$	0%
	Commercial/Office Building	$y = -0.019x + 1015.2$	48%
	Education	$y = -0.0472x + 2588.1$	33%
	others	$y = -0.012x + 784.39$	30%
<b>TGI Rate 3</b>	<b>Sector</b>		
	Apartment/Condo	$y = -0.1621x + 9778.3$	28%
	Wholesale/Retail	$y = -0.4576x + 21517$	76%
	Restaurant	$y = -0.0298x + 3855.8$	3%
	Commercial/Office Building	$y = -0.2678x + 14028$	44%
	Health	$y = -0.3368x + 17411$	52%
	Others	$y = -0.327x + 16572$	80%
<b>TGI Rate 23</b>	<b>Sector</b>		
	Apartment/Condo	$y = -0.2073x + 12441$	58%
	Education	$y = 0.0635x + 2229.8$	8%
	Greenhouse	$y = 0.7092x - 19436$	8%
	Wholesale/Retail	$y = 0.2014x - 2716$	48%
	Government Building	$y = 0.3774x - 10940$	87%
	others	$y = 0.4125x - 11657$	74%
<b>TGW</b>	<b>Rate Class</b>		
	SGS1/2 Com	$y = 0.0232x - 638.57$	9%
	LGS1-Com	$y = -10.226x + 1343.6$	78%
	LGS2-Com	$y = -0.589x + 26087$	82%
	LGS3-Com	$y = -2.0745x + 92670$	60%



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**5.0 Reference: BCOPAPO IR 1.5.2**

5.1 Please provide a list of all variables that TU has retained that are not statistically different from zero at the 95% confidence level and provide TU’s rationale for retaining these variables.

**Response:**

As all regression models utilize one explanatory variable in relation to the response variable. Adequacy of the model can be reasonably determined from  $R^2$  statistics without further assessment. Some models for commercial rate classes (particularly restaurants) display low  $R^2$  values due to a high level of variability in the data. In addition to performing a trending analysis, the Terasen Utilities validates the resulting trends through a combination of researching external reports and publications and internal review processes. Upon completion of this review process the resulting trends are incorporated into our analysis.



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**6.0 Reference: BCOAPO IR 1.7.1**

6.1 Did TU review the NGV experience of Union Gas Limited in Ontario? If so, please indicate how the current proposal has been impacted by this review. If not, please explain why not.

**Response:**

TGI has reviewed the NGV experience of Union Gas Limited (“Union”) from a high level. Since Union’s NGV program was focused on the development of ‘public’ passenger and light duty NGVs, TGI does not believe it is a relevant model for servicing today’s BC transportation market. TGI is focused on providing NGV fuelling solutions for commercial, return-to-base fleet operators in the heavy duty trucking and bus categories. TGI’s proposed fuelling service is a ‘user-pay’ approach tied to large fleets, and is not dependent upon public fuelling consumption to recover infrastructure costs.

Union has not owned fuelling stations since the late 1990s, when its fuelling stations were sold to Clean Energy Fuels Corp. These stations have recently been closed and relocated outside the Ontario market.

TGI has consulted with Enbridge Gas Distribution with respect to their NGV plans within its Ontario service territory. Their plan is similar to TGI’s plan of providing solutions for commercial, return-to-base fleet operators in the heavy duty trucking and bus categories in its BC service territory.