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British Columbia Utilities Commission
6th Floor, 900 Howe Street
Vancouver, BC
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Attention: Ms. Erica M. Hamilton, Commission Secretary

Dear Ms. Hamilton:

**Re: Terasen Utilities (comprised of Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc. and Terasen Gas (Whistler) Inc.) 2010 Long Term Resource Plan
Terasen Utilities Submissions on Need for a Second Procedural Conference**

The Terasen Utilities file this submission in accordance with Commission Order Number G-146-10, dated September 24, 2010, which requests submissions on whether a second procedural conference is required for the Terasen Utilities 2010 Long-Term Resource Plan (the "2010 LTRP"). The Terasen Utilities submit that this proceeding, as has been the case with previous LTRP Filings, is fairly and efficiently addressed based on the existing record in a written process, and thus a second procedural conference to explore procedural alternatives is unnecessary.

Overview

The LTRP has always been the subject of a written process, even where – unlike the present filing - the Terasen Utilities have requested specific orders and approvals in addition to acceptance of the plan. The Terasen Utilities' plans with respect to natural gas resource requirements and Energy Efficiency and Conservation have been probed thoroughly in the course of two rounds of information requests. Natural gas is expected to remain the predominant means of meeting our resource requirements during the planning horizon. There are no outstanding issues in respect of such matters that would warrant departing from the typical written process or requiring another round of information requests. Further, the previous long term resource plan in 2008 was considered in a written hearing process, and was accepted, despite the inclusion in the Terasen Gas 2008 Resource Plan ("2008 LTRP") Action Items of the same low or no-carbon initiatives - biomethane, alternative energy service and natural gas vehicle (NGV) - that appear to have prompted the Commission's request for further submissions on process in the context of this 2010 LTRP. The Terasen Utilities submit that the Commission's understandable desire to explore the issue of the scope of regulation in respect of these initiatives is most appropriately left to other processes to be concluded in the near future, leaving this LTRP process to be most efficiently and effectively

addressed in writing based on the existing record. There are several reasons for this, which we will address below:

- Each of the low-carbon initiatives is unique, and is not conducive to a “one size fits all” determination in section 44.1 proceeding devoted to high-level planning;
- The initiatives are, or will in the immediate future, be the subject matter of initiative-specific proceedings that are more conducive to addressing regulatory issues of this nature; and
- This approach is consistent with the Commission-approved NSA in the recent Terasen Gas Inc. (“TGI”) and Terasen Gas (Vancouver Island) Inc. (“TGVI”) 2010 and 2011 revenue requirements applications.

It follows that no second procedural conference is required.

Initiatives Are Each Unique and Require a Level of Assessment Not Possible in the LTRP

The first reason why the current process is sufficient is that each of the low-carbon initiatives is unique, and is not conducive to a “one size fits all” determination in a section 44.1 proceeding devoted to high-level planning. There are three related aspects to this point.

First, although the three low or no-carbon initiatives tend to be lumped together as a result of their “green” attributes, each of these initiatives raises different considerations from a regulatory perspective. Biomethane is a potential new supply resource that utilizes the existing natural gas infrastructure. Alternative energy solutions represent a new type of energy product or tariff offering, while NGV service is a natural gas service targeted at a particular group of customers. Each of these initiatives has its own unique strategy, business considerations and regulatory and legal framework. These issues are not conducive to a “one size fits all” determination in the context of this proceeding.

Second, approval of new service initiatives is appropriately dealt with under sections 45 to 46 for CPCNs, section 44.2 for expenditure schedules, or sections 59 to 61 for rates and rate structures. In the 2010 LTRP, the Terasen Utilities have asked for acceptance of the plan under Section 44.1 of the Act and have not requested any other approvals. Section 44.1 does not provide the necessary legislative framework for the Commission to make determinations with respect to whether the Terasen Utilities should be pursuing the three low or no-carbon initiatives. In other words, with respect to the three initiatives, the issue is not about whether the 2010 LTRP should be accepted, but whether specific projects should be granted a CPCN or specific rates should be approved.

Third, the Commission requires an appropriate evidentiary foundation for proper consideration of the low-carbon initiatives. This may include evidence on the relevant policy background, supporting studies, details of specific projects, including cost estimates, and rate proposals in the form of contracts or tariff terms and conditions. The Commission needs this information to determine whether the particular initiatives are in the public interest and

whether specific rates are just and reasonable. TGI's Biomethane Application, which is currently being considered by the Commission, presents an example of how such initiatives are most appropriately dealt with in a separate proceeding before the Commission. The evidentiary record is comprehensive.¹ The 2010 LTRP, by contrast, is by its nature a high-level plan and was not designed to provide the evidentiary foundation for a proper consideration of the regulatory scope of each of the three initiatives.

The Terasen Utilities has filed or are planning to file initiative-specific applications for biogas, NGV and alternative energy services under the applicable sections of the Act. These applications have or will provide comprehensive evidence that will allow the Commission to properly consider the issues relevant to each.

The Initiative–Specific Regulatory Processes Were Contemplated in the Approved NSA

The approach of addressing the three initiatives separately in initiative-specific applications is consistent with what was agreed to in the Commission-approved NSA in the TGI and TGVI 2010 and 2011 revenue requirements applications. The approved Negotiated Settlement Agreements put in place rate structures for alternative energy services. TGI's Biomethane Application and planned NGV and alternative energy service applications were contemplated in TGI's negotiated settlement agreement (NSA). The NSA contemplated that (a) project-specific alternative energy service contracts would be filed with the Commission for approval as a rate,² (b) TGI was to develop the NGV area of business and was at liberty to bring forward an application to the Commission during the term of the NSA and in future years,³ and (c) that TGI would bring forward a biogas application to the Commission.⁴

A decision on the Biomethane application is pending. TGI anticipates filing an NGV application by year's end, and the alternative energy services application sometime next year. Thus, the Commission will have had the opportunity to consider all three initiatives before the next LTRP is filed.

Timing and the Meaning of Acceptance of the 2010 LTRP

The crux of the matter appears to be a timing issue, since the Commission's determination on the LTRP will come before some of the initiative-specific applications are heard. The Terasen Utilities submit that this type of timing issue is inevitable whenever long-term planning is involved, is not limited to just the three low or no-carbon initiatives, and can be readily addressed.

As a long-term plan, the 2010 LTRP describes plans for the future that require further Commission approvals. For example, the 2010 LTRP describes the plan to build out the

¹ The Biomethane Application is 581 pages long, including appendices. TGI responded to two rounds of information requests from the Commission, BCOAPO, CEC and BCSEA, totaling 531 questions. Written submissions were made by TGI, BCOAPO, CEC, BCSEA and BC Hydro.

² Section 13.

³ Section 14.

⁴ Section 15.

natural gas system in section 6 and Appendix D contains the Terasen Utilities' capital plans. Following through with these capital projects will require CPCNs from the Commission when they exceed the CPCN threshold and recovery of the capital costs in rates will have to be determined when the Commission fixes rates. The Commission's acceptance of the 2010 LTRP does not negate the need for these future approvals under the *Utilities Commission Act*. Similarly, approval of the 2010 LTRP would not negate the need for the Terasen Utilities to receive approval for its alternative energy service, biogas and NGV initiatives.

The Terasen Utilities submit that the Commission can accept the 2010 LTRP without in any way prejudging the merits of the planned initiative-specific applications. Were that not the case, the issue would already have been determined by virtue of the Commission's acceptance of the 2008 LTRP.⁵ In the 2008 LTRP the Terasen Utilities described the various clean energy initiatives that they were exploring. Action Item 7 in the 2008 LTRP was to pursue such clean energy alternatives, which included biomethane, alternative energy services and NGV.⁶ The 2008 LTRP was followed by the TGI and TGVI revenue requirement applications, but the Terasen Utilities did not take the Commission's acceptance of the 2008 LTRP as a predetermination of the service offerings proposed in the revenue requirement applications.

In the 2010 LTRP, the Terasen Utilities have updated the information on the low or no-carbon initiatives that were initially described in the 2008 LTRP. As described in section 7 of the 2010 LTRP, workshops were held on the 2010 LTRP in which these initiatives were canvassed.⁷ No issues were raised about the nature of these services and whether they were properly regulated or not. The Terasen Utilities have described their plans for seeking approval of these initiatives in other project or service-offering specific applications, but, consistent with the 2008 LTRP, seek no approvals in the 2010 LTRP related specifically to the initiatives. The Commission can, if it feels clarification is warranted, specify in its decision that by accepting the 2010 LTRP it is not approving a specific initiative or project. The only other option under section 44.1 would be for the Commission to reject those portions of the plan and indicate that by doing so it is not prejudging future applications. But, in either case, there is no need for further process to be able to make this assessment.

Other Opportunities for Stakeholder Engagement

The Terasen Utilities note that, in addition to its existing consultation activities on resource plans, we intend to establish a Resource Planning Advisory Group to engage our most interested stakeholders in ongoing dialogue on energy planning issues and the Terasen Utilities planning activities.⁸ This will provide an opportunity for stakeholders to share their views with the Terasen Utilities on all of the issues in the resource plan, including the Terasen Utilities new initiatives.

⁵ The Terasen Gas 2008 Resource Plan and the exhibits filed in that proceeding are available on the Commission's website at: <http://www.bcuc.com/ApplicationView.aspx?ApplicationId=199>.

⁶ See Exhibit B-5, BCUC IR 1.57.1.

⁷ Exhibit B-5, BCUC IR 1.55.0.

⁸ Exhibit B-1, pages 183 to 184.

Conclusion

For the reasons expressed above, the Terasen Utilities submit that the 2010 LTRP proceedings is not the appropriate forum in which to consider the regulatory scope of the three low or no-carbon initiatives. The Terasen Utilities therefore respectfully submit that the current proceeding should be addressed through a written process based on the existing record and a second procedural conference is unnecessary.

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

Yours very truly,

on behalf of the TERASEN UTILITIES

Original signed:

Diane Roy

cc (e-mail only): Registered Parties