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British Columbia Utilities Commission
6th floor, 900 Howe Street
Vancouver, B.C. V6Z 2N3

**Attention: Erica M. Hamilton,
Commission Secretary**

Dear Sirs/Mesdames:

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

We enclose the electronic copy of The Terasen Utilities' Reply Submission with respect to the above application.

The requisite 12 hard copies of same will follow by courier.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP

[Original signed by Christopher Bystrom]

Christopher Bystrom

CRB/ccm

Encl.

**THE TERASEN UTILITIES
(TERASEN GAS INC., TERASEN GAS (VANCOUVER ISLAND) INC., AND TERASEN GAS
(WHISTLER) INC.)**

2010 LONG TERM RESOURCE PLAN

REPLY SUBMISSION OF THE TERASEN UTILITIES

DECEMBER 10, 2010

TABLE OF CONTENTS

A. INTRODUCTION.....	1
B. RESOURCE PLANNING AND NEW INITIATIVES.....	1
C. DEMAND FORECAST.....	3
D. GHG REDUCTIONS.....	4
E. SCENARIO ANALYSIS.....	5
F. CONCLUSION.....	6

SUBMISSIONS OF THE TERASEN UTILITIES

DECEMBER 10, 2010

A. Introduction

1. This is the Reply Submission of Terasen Gas Inc. (“TGI”), Terasen Gas (Vancouver Island) Inc. (“TGVI”) and Terasen Gas (Whistler) Inc. (“TGW”) (together, the “Terasen Utilities”) with respect to the Terasen Utilities 2010 Long Term Resource Plan (“2010 LTRP”) filed July 15, 2010, pursuant to section 44.1 of the *Utilities Commission Act* (the “UCA”).

2. Three interveners have made submissions on the 2010 LTRP: BCOAPO et al. (“BCOAPO”), Commercial Energy Consumers Association of British Columbia (“CEC”) and the B.C. Sustainable Energy Association and Sierra Club of British Columbia (“BCSEA-SCBC”). Both the CEC and BCSEA-SCBC support acceptance of the 2010 LTRP, while BCOAPO states it has no objections to its acceptance. While there is general support for the 2010 LTRP, this submission will discuss the following issues or reservations raised by the intervenors:

- (a) Resource Planning and New Initiatives;
- (b) The Demand Forecast;
- (c) Green House Gas (“GHG”) Reductions Target; and
- (d) Scenario and Alternatives Analysis.

B. Resource Planning and New Initiatives

3. The Terasen Utilities submit that the BCOAPO’s view of the need for a larger examination of the biomethane gas supply, natural gas vehicle (NGV) services, and alternative energy services (AES) initiatives (together, the “New Initiatives”) is not consistent with the purpose of resource planning or the requirements of the UCA. The purpose and scope of the resource planning process is found in section 44.1 of the UCA and the Commission’s Resource Planning Guidelines.¹ The focus of resource planning is on the utility’s forecast demand and plans to meet that demand through the acquisition of resources and the use of demand-side

¹ Although the UCA has been amended since the Resource Planning Guidelines were issued in December 2003, the Resource Planning Guidelines are the most relevant guidance from the Commission.

measures. To date, the New Initiatives have not been developed to the point where they can be fully incorporated into the resource planning processes. Nonetheless, the Terasen Utilities have sought to introduce the New Initiatives to stakeholders in its resource plans. The Terasen Utilities first introduced the New Initiatives in the Terasen Gas 2008 Resource Plan. In the 2010 LTRP, the Terasen Utilities provide more information on the New Initiatives to the extent that the plans for these services have developed and provide an initial view of the Terasen Utilities new forecasting methodologies aimed at improving the demand analysis for the New Initiatives (as well as existing services).

4. In order to implement the New Initiatives, the Terasen Utilities have also sought, are seeking, and plan to seek the relevant Commission approvals for rates through other submissions. Rate approvals were first sought in TGI and TGVI's 2010-2011 Revenue Requirements Applications, which were designed to provide a broad policy context and evidentiary background to support the New Initiatives. Approvals were received related to AES² and, as contemplated in TGI's Negotiated Settlement Agreement, further approvals are being sought in individual applications for each of the New Initiatives. The Terasen Utilities individual applications have been or will be accompanied by the appropriate policy context and other evidence that will enable the Commission to consider whether proposed rates for the New Initiatives are just and reasonable within the meaning of sections 59 to 61 of the UCA. Approvals of expenditure schedules under section 44.2 of the UCA or CPCNs under section 45 and 46 of the UCA have been or will be accompanied by the necessary evidence for the Commission to make its determinations. The New Initiatives will therefore be reviewed in these other proceedings with the appropriate breadth of evidence, where all relevant issues can be canvassed.

5. While long-term resource planning can support and provide some high-level context for these individual approvals, the long-term resource planning function does not replace the need for the individual approvals under the UCA that are required for the services to proceed. This is consistent with the relationship between long-term resource planning and other applications, such as CPCN applications, generally. As stated by the Commission's Resource Planning Guidelines, "In most circumstances, Certificates of Public Convenience and Necessity ("CPCN") applications should be supported by resource plans filed pursuant to Section 45 of the UCA."³ While capital plans are described in a long-term resource plan, it would be the

² Exhibit B-10, BCUC IR 2.5.1.

³ BCUC, Resource Planning Guidelines (December 2003), at page 2.

exception, rather than the rule, where the Commission would find that further approvals, e.g. a CPCN, are not required for projects described in a resource plan. Moreover, rates for new services are not the subject of a long-term resource plan at all.

6. The Terasen Utilities reiterate that each of the New Initiatives are unique and do not lend themselves to a single inquiry in a resource planning context. Instead, the Commission must be provided with the relevant evidence related to each initiative so that it can make a decision in the context of a particular project or rate it is being asked to consider. Furthermore, the legislative framework for the acceptance of long-term resource plans does not provide the structure to settle issues such as what lines of business the Terasen Utilities should pursue or what activities properly belong within the ambit of the regulated utility. Generally, these are questions which must be addressed in the context of applications under appropriate sections of the UCA which give jurisdiction of the Commission to make a decision with respect to a particular project or rate application.

7. In sum, the Terasen Utilities are proceeding with the New Initiatives by seeking the usual regulatory approvals from the Commission as required by the UCA. The New Initiatives are supported by the high-level planning in the 2010 LTRP, but the Commission's review of this high-level planning does not replace the need for consideration of the New Initiatives in the context of specific applications for approvals of projects and rates. As the Commission makes determinations with respect to the New Initiatives, the Terasen Utilities anticipate that its long-term resource planning will be able to incorporate them more fully and in accordance with the Commissions decisions.

C. Demand Forecast

8. The Terasen Utilities traditional natural gas forecasting methodology is reasonable and has been reviewed and considered appropriate on numerous occasions by the Commission. The Terasen Utilities are also investigating supplementing the traditional demand forecast with new forecasting methods as described in the Application. At this time, the Terasen Utilities do not see a need to develop a further "econometric forecasting approach" as suggested by BCOAPO.⁴

⁴ BCOAPO Final Submission, page 2.

9. In its review of the demand forecast, the CEC indicates that the relatively stable demand forecast leads to the anticipation stable rates.⁵ The Terasen Utilities caution that this is not necessarily the case. Even though demand may remain relatively stable, other factors such as commodity costs or capital costs to maintain the system may not remain stable. As discussed in section 6.1.5 and 6.2.2 respectively of the 2010 LTRP, the Terasen Utilities have described a long term system sustainment strategy to deal with replacement of its aging assets in a cost-effective manner and a price risk management strategy to address commodity price uncertainty. The Terasen Utilities have also described its system expansion requirements in 6.1.1. All the factors affecting the utilities must be considered together in anticipating the level of future rates.

D. GHG Reductions

10. The British Columbia energy objective in section 2(g) of the *Clean Energy Act* describes GHG reductions targets for B.C. The 2010 LTRP supports GHG reductions in several ways. The GHG reductions targets, however, are for the Province of B.C. as a whole and no specific allocations have been made in terms of expected reductions from specific sectors. The Terasen Utilities are currently implementing Energy Efficiency and Conservation (EEC) programs as approved by the Commission and plan to seek expanded EEC funding for 2012 and beyond. The 20-year demand forecast on page 92 of the 2010 LTRP, however, does not incorporate any additional EEC programs beyond currently approved EEC funding.⁶ This forecast therefore does not represent the Terasen Utilities anticipated contributions to the provincial GHG reductions targets for 2012 and beyond. The Terasen Utilities will be applying for expanded EEC funding in 2011 and, assuming that EEC Scenario C savings outcome is accurate, could potentially result in a 21% reduction in GHG emissions from the 2007 emission levels.⁷ In addition, the Terasen Utilities are proceeding with its New Initiatives which would also contribute to GHG reductions.⁸ In this way, the 2010 LTRP establishes a strong foundation for significant contributions to the Provincial GHG reductions target.

11. BCSEA-SCBC expressed some concerns regarding the value of NGV from a GHG reduction perspective.⁹ While this issue can be dealt with in the context of the NGV Application currently before the Commission, the Terasen Utilities wish to address it from the

⁵ CEC Final Submission, page 2.

⁶ Exhibit B-1, page 91.

⁷ Exhibit B-5, BCUC IR 1.38.2.

⁸ See, e.g., Exhibit B-10, BCUC IR 2.13.2.

⁹ BCSEA-SCBC Final Submission, pages 3-4.

perspective of its 2010 LTRP and plans for reductions in GHG emissions. The Terasen Utilities NGV strategy is to target return-to-home fleets where each investment by the utility is backed by a customer contract.¹⁰ As such, the NGV services involve limited new infrastructure.¹¹ NGV technology is a mature technology that is market-ready today, will improve as market share is developed and few other realistic alternatives exist in the target market for these services.¹² If uptake by industry end-users is strong, the Terasen Utilities NGV strategy would result in significant reductions in GHGs.¹³

E. Scenario Analysis

12. The pace of change in recent years in energy and carbon emission policy has created greater uncertainty in the long term outlook for energy in the Province. The Terasen Utilities have responded to changes in policy, legislation and customer response. Actions of the Terasen Utilities taken to date include developing its existing EEC programs, beginning its biomethane gas, NGV and AES initiatives and working towards a baseline provincial forecast for thermal energy. The Terasen Utilities have also engaged in new and continued energy market research and intend to establish a Resource Plan Advisory Group consisting of interested external stakeholders. The Terasen Utilities response to the changing energy environment, however, is tempered by resource needs, costs of implementing initiatives and an awareness of the uncertainty of potential policy shifts over the near, medium and long term. Overall, the Terasen Utilities' approach of developing and seeking approvals for New Initiatives and EEC programs, while maintaining flexibility to act on further changes in the B.C. energy market environment, is sound and will benefit customers in the long run.

13. The Terasen Utilities see value in examining scenarios and have done so in the preparation of the 2010 LTRP.¹⁴ The Terasen Utilities refer to its response to CEC IR 2.1.1 in Exhibit B-10 for their views on the various scenario analyses suggested by the CEC. Many of the requests for analysis made by the CEC are already being implemented, planned for or investigated.¹⁵ While the Terasen Utilities see value in some of the suggestions, the types of scenarios suggested by the CEC in its final submission would not change the Action Plan in the 2010 LTRP. For instance, the Terasen Utilities believe that there may be merit in examining a

¹⁰ Exhibit B-1, pages 61-62; Exhibit B-5, BCUC IR 1.10.2, 1.31.1.

¹¹ Exhibit B-5, BCUC IR 1.10.2, 1.12.2.

¹² Exhibit B-5, BCUC IR 1.34.3; Exhibit B-10, BCUC IR 2.14.1.

¹³ See, e.g., Exhibit B-10, BCUC IR 2.13.2.

¹⁴ e.g., see Exhibit B-9, CEC IR 2.1.1.

¹⁵ Exhibit B-9, CEC IR 2.1.1.

more aggressive market transformation approach for NGV in the next LTRP, but that such an approach in the 2010 LTRP would not have altered the current Action Plan. TGI has submitted an NGV Application to the Commission seeking rate approvals to offer NGV services. At this early stage of developing its NGV services, the Terasen Utilities believe that the level of planning it has done to date is appropriate.

14. Assuming that there is interest from stakeholders, through the Resource Plan Advisory Group the Terasen Utilities will seek to find common ground on resource planning issues such as scenario analysis, stress tests and planning horizons.¹⁶ While the Terasen Utilities see value in scenario analysis, there should be reasonable pragmatic limits set on the types of analysis undertaken. It should be taken into account, for instance, that resources are required to investigate and plan for wide ranges of potential scenarios. The Terasen Utilities would canvass these issues and others in the context of the Resource Plan Advisory Group.

F. Conclusion

15. The submissions from intervenors generally support the acceptance of the 2010 LTRP. The Terasen Utilities submit that the reservations expressed by intervenors about the 2010 LTRP have been addressed above. In addition, the Terasen Utilities intend to establish the Resource Plan Advisory Group to consult further with respect to intervenor concerns. The Terasen Utilities therefore respectfully submit that the 2010 LTRP meets the requirements of the UCA and should be accepted as filed pursuant to section 44.1(6) of the UCA.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

[Original signed by]

Dated: December 10, 2010

Chris Bystrom
Counsel for the Terasen Utilities

¹⁶ It is noted that this assumes interest from stakeholders.