

Fasken Martineau DuMoulin LLP *
Barristers and Solicitors
Patent and Trade-mark Agents

www.fasken.com

2900 - 550 Burrard Street
Vancouver, British Columbia, Canada V6C 0A3

604 631 3131 Telephone
604 631 3232 Facsimile



Matthew Ghikas
Direct 604 631 3191
Facsimile 604 632 3191
mghikas@fasken.com

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ELECTRONIC FILING

British Columbia Utilities Commission
6th floor, 900 Howe Street
Vancouver, BC V6Z 2N3

Attention: Erica Hamilton
Commission Secretary

Dear Sirs/Mesdames:

Re: FortisBC Energy Inc. (formerly Terasen Gas Inc.)
An Application for Approval of a Service Agreement for Compressed
Natural Gas Service and Approval of General Terms and Conditions for
Compressed Natural Gas and Liquefied Natural Gas Service

We enclose for filing in the above proceeding the electronic version of the Reply Submissions on behalf of FortisBC Energy Inc.

Twelve hard copies of the Submissions will follow by courier.

Yours truly,

FASKEN MARTINEAU DuMOULIN LLP

[original signed by Matthew Ghikas]

Matthew Ghikas

MTG/fxm
Enc

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BRITISH COLUMBIA UTILITIES COMMISSION

**IN THE MATTER OF the *Utilities Commission Act*,
R.S.B.C. 1996, Chapter 473**

and

An Application by FortisBC Energy Inc. (formerly Terasen Gas Inc.)

**An Application for Approval of a Service Agreement
For Compressed Natural Gas Service**

And

**For Approval of General Terms and Conditions
for Compressed Natural Gas and Liquefied Natural Gas Service**

REPLY SUBMISSIONS OF

FORTISBC ENERGY INC. (FORMERLY TERASEN GAS INC.)

TABLE OF CONTENTS

PART ONE:	INTRODUCTION	1
PART TWO:	REPLY ON TOPICS RAISED BY INTERVENORS	1
A.	Relevance to Public Interest Assessment of the 2010 Long-Term Resource Plan.....	1
B.	The Relevance to Public Interest Assessment of Long-Term Market Forecasts for NGV	1
C.	Confidentiality of Rate Schedules	2
D.	Reporting and Oversight	3
PART THREE:	CONCLUSION	5

PART ONE: INTRODUCTION

1. All three active intervenors in this proceeding - Commercial Energy Consumers (“CEC”), British Columbia Old Age Pensioners et al. (“BCOAPO”) and B.C. Sustainable Energy Association (“BCSEA”) - filed submissions in support of the Application. This speaks to the understanding among customers of the benefits to existing customers, potential Natural Gas Vehicle (“NGV”) customers and the public generally, associated with FortisBC Energy Inc. (“FEI” or “the Company”) investing in facilities to provide natural gas to fleet owners in a usable form. It also speaks to the degree of comfort among customers that the cost of service-based rates and contractual mechanisms contemplated in the proposed rate design achieve an appropriate allocation of the benefits, risks and costs associated with investments in fuelling assets. In light of the broad support for the Application, this Reply Submission addresses only discrete topics identified by intervenors that could benefit from further clarification.

PART TWO: REPLY ON TOPICS RAISED BY INTERVENORS

2. This Part is organized by topic, rather than by intervenor.

A. Relevance to Public Interest Assessment of the 2010 Long-Term Resource Plan

3. BCSEA, on page 6 of its submissions, referenced FEI’s submission regarding the relevance of the 2010 Long-Term Resource Plan (“2010 LTRP”) to the Commission’s public interest assessment. In particular, FEI’s Final Submissions noted that section 44.2 of the *Utilities Commission Act* (“UCA”) required consideration of the most recent resource plan. FEI confirms that the relevance of the 2010 LTRP is in respect of the continued recognition of declining use rates as a long-term challenge to FEI. Neither the Commission’s final public interest determination relating to the proposed investment in facilities to serve Waste Management (“WM”), nor its consideration of the appropriateness of the proposed rate design, were pre-determined in any respect by the Commission’s decision in the 2010 LTRP.

B. The Relevance to Public Interest Assessment of Long-Term Market Forecasts for NGV

4. BCOAPO acknowledges the benefits to existing ratepayers of adding the NGV load, but says that the forecasts of residential rates and the mitigation by NGV loads should be

considered highly speculative over the period 2012-2030.¹ FEI agrees that there is uncertainty with long-term forecasts of total NGV demand. The benefit of the contractual approach inherent in the proposed rate structures is that each project can be justified in its own right based on “take-or-pay” demand without the Commission having to make a determination in this proceeding about the potential future market demand for NGVs as a whole.

C. Confidentiality of Rate Schedules

5. FEI accepts the Commission’s determination that the WM Agreement should be filed non-confidentially, and endorses the Commission’s rationale that the public interest will generally favour publication of rate schedules. The Company is not applying for reconsideration of that interim order. However, in terms of how FEI should proceed going forward, the Commission does now have the benefit of CEC’s submission that “individual customer information does not need to be made public in the oversight process”.² BCSEA has also recognized in its submission the importance of protection of legitimate claims of confidentiality, as well as public access.³ There is also now evidence of WM’s unfavourable reaction to the Commission’s decision regarding publication of the rate schedule and their initial delay in re-executing the WM Agreement.⁴ While WM still proceeded with its plans to adopt NGV, this evidence reinforces FEI’s conviction that blanket disclosure is a potential barrier to take-up in the future for some customers operating in a competitive marketplace.

6. BCSEA suggests a generic process to develop a “rule” under section 62 of the UCA about when commercially sensitive information can be redacted from published rate schedules.⁵ FEI submits that it would be preferable for the Commission to clarify as part of its decision on this Application whether it remains receptive to requests for limited redaction of commercially sensitive information from future CNG/LNG Service agreements (with the

¹ BCOAPO Submission, p.2.

² CEC Submission, p.12.

³ BCSEA Submission, p.9.

⁴ BCSEA 3.21.4. FEI also provided examples of why particular information may be commercially sensitive in the response to BCSEA 3.21.6.

⁵ BCSEA Submission, p.9.

redacted information available to virtually all customers and stakeholders on undertakings) in cases where the fleet-owner operates in a competitive industry. FEI is cognizant that in such cases it would still have to provide evidence of the customer's competitive concerns, how harm might result from them, and how that concern relates to the particular information included in the service agreement. However, recognition by the Commission in this decision of the appropriateness of considering the commercial sensitivity of information under section 62 would be beneficial to all concerned. FEI submits that clarification in the Commission's final decision is sufficient to be considered a "rule" under section 62 of the *UCA*, and no additional generic process along the lines proposed by BCSEA is necessary or desirable to develop a "rule" that is specific to this service.⁶

D. Reporting and Oversight

7. All intervenors support FEI's ongoing involvement in the provision of the proposed CNG/LNG Service as a natural extension of FEI's natural gas service. In particular, BCSEA supports FEI's involvement in the heavy-duty vehicle sector,⁷ which includes WM and is the sector that FEI is currently targeting. CEC encourages greater NGV development in the future than FEI is projecting and planning in this Application.⁸ BCOAPO accepts that FEI's proposed load-building strategy may help to avoid the potential stranding of other utility assets over time and supports FEI's involvement in the NGV market under a business model that accommodates other providers of CNG/LNG. Customer support reinforces FEI's submission that the contractual approach inherent in the proposed GT&Cs, combined with the Commission's review of each service agreement, makes imposing limits on total NGV volume or number of customers (i.e. a pilot program approach) unnecessary.

8. CEC, on page 12 of its submissions, states that "regulatory oversight can be adequately handled through individual contract filing with the Commission and simple review for compliance." FEI shares CEC's view that the Commission's review of a CNG/LNG Service

⁶ BCSEA 3.21.11.

⁷ BCSEA Submission, p.1.

⁸ CEC Submission, pp. 1, 8

agreements should generally amount to a review for compliance with the GT&Cs. It should be sufficient to confirm that rates are cost of service-based, that the agreement is “take-or-pay” for a fixed term at least as long as the expected life of the vehicles, and for FEI to identify any atypical negotiated provisions of the agreement. An efficient process is in the interests of all stakeholders to ensure that the benefits of adding load are not negated by a costly regulatory review process for each service agreement that revisits the wide-ranging substantive issues addressed in this Application. FEI will manage facilities investments through the revenue requirements process, just as is done with other capital projects that are below the approved CPCN threshold.

9. CEC, on page 13 of its submissions, recommends annual reporting on FEI’s progress in developing the NGV market. FEI submits that annual reporting would be redundant, as FEI’s progress can be assessed based on the number of new NGV customers taking natural gas service and the associated volumes. Service agreements will be filed with the Commission. FEI’s revenue requirements filings and Long-Term Resource Plans already address issues related to total throughput and use per customer.

10. CEC, on page 13 of its submissions, also recommends a regulatory review after three years, which would involve a review of the need for a “take-or-pay” requirement and a consideration of a rate design that better promotes load building. CEC’s concern, outlined at page 10 of its submissions, is that the proposed allocation of risks “is heavily weighted in favour of the existing customers”, and that this should not be sustained “when FEI is able to present information grounding the expected stability of the NGV market development”. FEI supports the evolution of the CNG/LNG Service rate design to reflect greater comfort among customers with NGVs and any new information to suggest that “take-or-pay” commitments are unnecessarily deterring take-up. FEI submits, however, that it is unnecessary for the Commission to mandate a three year timetable to review the rate design, which could cause concerns among potential customers seeking to secure service on a long-term basis. Neither BCOAPO, nor BCSEA took issue with FEI’s ongoing provision of CNG/LNG Service under the proposed rate design or the Company’s proposed approach to assessing the need for future

rate design changes. FEI therefore submits that the Commission should approve the current rate design, with any changes being subject to a future application by the Company.

PART THREE: CONCLUSION

11. FEI's provision of natural gas in a form usable as a vehicle fuel is, in the words of CEC, a "win-win case for customers".⁹ All intervenors support FEI's involvement in the provision of the proposed CNG/LNG Service as a natural extension of FEI's natural gas service and support the proposed rate design as being "just and reasonable". As such, FEI submits that the Application should be approved as sought.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated: April 12, 2011

[original signed by Matthew Ghikas]

Matthew Ghikas
Counsel for FortisBC Energy Inc. (formerly
Terasen Gas Inc.)

⁹ CEC Submissions, p.5.