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

**Attention: Ms. Alanna Gillis  
Acting Commission Secretary**

Dear Sirs/Mesdames:

**Re: FortisBC Energy Inc. and Fortis Energy (Vancouver Island) Inc.  
(the "FortisBC Energy Utilities")  
Energy Efficiency and Conservation Program Natural Gas Vehicles Incentive**

We enclose for filing in the above proceeding the electronic version of the Submissions on behalf of FortisBC Energy Utilities on Exhibit A-6.

Twelve hard copies of the Submissions on Exhibit A-6 will follow by courier.

Yours truly,

**FASKEN MARTINEAU DuMOULIN LLP**

*[original signed by Matthew Ghikas]*

Matthew Ghikas

MTG/fxm  
Enc

\* Fasken Martineau DuMoulin LLP is a limited liability partnership and includes law corporations.

**BRITISH COLUMBIA UTILITIES COMMISSION**

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

**and**

**FortisBC Energy Inc. and  
FortisBC Energy (Vancouver Island) Inc.  
(the “FortisBC Energy Utilities”)**

**ENERGY EFFICIENCY AND CONSERVATION PROGRAM**

**NATURAL GAS VEHICLE INCENTIVES**

**Submission of the FortisBC Energy Utilities on Exhibit A-6**

**June 10, 2011**

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**A. INTRODUCTION**

1. This is the submission of FortisBC Energy Utilities (the "FEU") with respect to Exhibit A-6, in which the Commission requested submissions on the following:

The ability and appropriateness of the utility moving EEC funds among programs that meet the definition of "demand-side measure" in the Utilities Commission Act and programs that do not.

2. In the context of this regulatory process regarding the use of incentive funding for Natural Gas Vehicles in the Commercial NGV Demonstration Program (the "NGV Program"), the implication of the statement above is that the NGV Program may not be a "demand-side measure". In this submission, FEU will first explain why the NGV Program is a demand-side measure within the meaning of the *Utilities Commission Act* ("UCA") and, second, will explain why the expenditures are recoverable as prudent expenditures regardless.

**B. THE NGV INNOVATIVE TECHNOLOGIES PROGRAM IS A "DEMAND-SIDE MEASURE"**

3. The FEU submit that the NGV Program meets the definition of "demand-side measure" in the UCA. The definition of "demand-side measure" in the UCA refers to the *Clean Energy Act* where the term is defined as follows:

"Demand-side measure" means a rate, measure, action or program undertaken

(a) to conserve energy or promote energy efficiency,

(b) to reduce the energy demand a public utility must serve, or

(c) to shift the use of energy to periods of lower demand,

but does not include

(d) a rate, measure, action or program the main purpose of which is to encourage a switch from the use of one kind of energy to another such that the switch would increase greenhouse gas emissions in British Columbia, or

(e) any rate, measure, action or program prescribed;

4. The NGV Program is undertaken to promote energy efficiency and thus falls into paragraph (a) of the above definition. The fact that the FEU's innovative technology programs "promote energy efficiency" is reflected in the scope of the Innovative Technologies Program Area itself, as defined in the 2008 Energy Efficiency and Conservation ("EEC") Application, which states:<sup>1</sup>

It should be noted that the initiatives listed in this Section do not include all the innovative technologies that the Companies may pursue, but rather provide an overview of the types of initiatives the Terasen Utilities intend to pursue, all having the same underlying characteristics:

1) Each promotes the efficient use of natural gas through sustainable design

2) None are currently a mainstream technology

3) Each offers the potential for at least a 10% GHG benefit.

For all sectors, programs for fuel-substitution include plans that displace less efficient and dirtier fuels with natural gas or add cleaner renewable fuels to natural gas for further efficiency and GHG benefits. [Emphasis added.]

5. Notably, paragraph (a) of the definition of "demand-side measure" includes programs that "conserve energy" or "promote energy efficiency." Meaning must be ascribed to the words in the legislation so that the words are not redundant or meaningless. "Promoting energy efficiency" must therefore be given a meaning that is different than "conserve energy". One important way of understanding energy efficiency beyond conserving energy is through the concept of the use of the right fuel for the right activity. Using the right fuel for the right activity can be a more efficient or effective use of energy from a variety of perspectives, such as in a system utilization sense, an economic sense, or an environmental sense such as promoting greenhouse gas ("GHG") reduction. The NGV Program promotes energy efficiency in all these ways.

6. The NGV Program is energy efficient from the perspective of the use of energy resources and delivery systems in the province. Without incentives for natural gas vehicles ("NGV"), customers would not purchase NGVs, and NGV load on the natural gas system would

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<sup>1</sup> Exhibit B-3, CEC IR 1.1.3.

not occur; the transportation energy demands of these customers would have been met with diesel fuel. As the NGV demand is a relatively flat year-round load, it increases natural gas use in the lower demand summer period, resulting in an increased load factor and more efficient use of the natural gas delivery system overall.<sup>2</sup> The NGV Program thus accomplishes the objective identified in paragraph (c) of the definition of “demand-side measure”: “to shift the use of energy to periods of lower demand.” From the perspective of fleet owners, the use of natural gas is also more energy efficient in an economic sense.<sup>3</sup> In addition, the NGV Program promotes switching from high GHG-emitting forms of energy to natural gas as a transportation fuel.<sup>4</sup> This is more efficient as it results in the energy demand being met with less resulting GHG emissions. This objective is supported by British Columbia’s energy objectives set out in section 2 of the *Clean Energy Act*.

7. The FEU’s interpretation is supported by the Province’s 2007 Energy Plan, which states on page 21:

Promote Energy Efficiency and Alternative Energy

It is important for British Columbians to understand the appropriate uses of different forms of energy and utilize the right fuel, for the right activity at the right time. There is the potential to promote energy efficiency and alternative energy supplemented by natural gas. Combinations of alternative energy sources with natural gas include solar thermal and geothermal. Working with municipalities, utilities and other stakeholders the provincial government will promote energy efficiency and alternative energy systems, such as solar thermal and geothermal throughout the province. [Emphasis added.]

8. Although not referring to NGV per se, the quote above demonstrates that promoting the switching to a lower GHG emitting source of energy is a way to promote energy efficiency. The users of energy in these situations may not be using *less* energy, but they are using energy more *efficiently* by using “the right fuel, for the right activity at the right time.”

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<sup>2</sup> Since NGV load has a flat year-round profile and FEU’s core load is heavily weighted towards winter space heating use, adding NGV load will increase the summer throughput as a percentage of the annual throughput. When this is coupled with the fact that winter-weighted core throughput is declining due to the impacts of FEU’s EEC programs and other drivers of declining gas use, the impact of adding NGV load on system efficiency and load factors is magnified. (Exhibit B-1, BCUC IR 1.7.3, 1.7.4 and 1.2.2.1.)

<sup>3</sup> Exhibit B-1, BCUC IR 1.7.4.

<sup>4</sup> Exhibit B-1, BCUC IR 1.7.4.

9. The FEU have been clear with respect to the scope of their EEC activities. In the Terasen Utilities May 2008 Energy Efficiency and Conservation Application, the introduction states:<sup>5</sup>

EEC Activity is a term that describes what has been referred to in previous Regulatory filings as Demand Side Management (“DSM”) activity. “EEC” and “DSM” are used interchangeably throughout this document; both terms refer to activities undertaken by the Companies that have the goal of affecting customers’ use of natural gas, either through conservation activity or through load-building/fuel switching activity. [Emphasis added.]

10. Load building and fuel switching activities are a recognized form of demand-side management in the industry.<sup>6</sup>

11. Fuel switching programs may be “demand-side measures” within the meaning of the definition in the *Clean Energy Act*. Paragraph (d) of the definition of “demand-side measure” states that the definition excludes programs which encourage a switch from one kind of energy to another such that the switch would *increase* GHG emissions in B.C. The definition thus contemplates that programs that encourage a switch that would *decrease* GHG emissions in the Province may be demand-side measures. The NGV Program is just such a program, as it adds load by encouraging the switch from other forms of energy, such as diesel, to natural gas, which reduces GHG emissions.

12. Moreover, the Commission has previously accepted other EEC expenditures directed at fuel switching from fossil fuels with higher carbon content than that of natural gas.<sup>7</sup> The FEU currently provide incentives for customers to install Energy Star and EnerChoice equipment and appliances where customers wish to switch to natural gas as the fuel of choice. On Vancouver Island, for example, there is a program to encourage switching from the use of oil to natural gas for home heating.<sup>8</sup> Similar to the NGV Program, these programs add load to

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<sup>5</sup> Exhibit B-1, BCUC IR 1.7.3.

<sup>6</sup> Terasen Utilities May 2008 Energy Efficiency and Conservation Application, Appendix 12, *California Standard Practice Manual DSM-7-02*, pages 2-4.

<sup>7</sup> In the Matter of Terasen Gas Inc. Terasen Gas (Vancouver Island) Inc. Energy Efficiency and Conservation Application, Decision, dated April 16, 2009, at page 18.

<sup>8</sup> *Ibid.*

the system, reducing GHG emissions and resulting in a greater utilization of the distribution infrastructure.

13. The FEU therefore submit that the NGV Program is a “demand-side measure” within the meaning of the UCA and is similar to other EEC programs.

### **C. IMPLICATIONS IF NGV PROGRAM IS NOT A DEMAND-SIDE MEASURE**

14. The FEU have made detailed submissions regarding the ability of the FEU to move EEC funds amongst program areas within the Commission-accepted EEC funding envelope.<sup>9</sup> The Commission’s acceptance of the EEC funding envelope was made pursuant to section 44.2(a) of the UCA which applies to “demand-side measures”. If the FEU were to expend funds in a program that was not a “demand-side measure,” as defined in the *Clean Energy Act*, this would mean that the FEU did not have a prior public interest approval pursuant to section 44.2 for the expenditure of those funds. However, this does not mean that it was inappropriate for the FEU to expend those funds.

15. The FEU have addressed the implications for FEU of a Commission determination that FEU does not yet have section 44.2 approval for the NGV Program expenditures.<sup>10</sup> Those submissions are equally applicable if the NGV Program was not a “demand-side measure.” As FEU have submitted, section 44.2 acceptance is optional and the UCA does not prohibit the FEU from engaging in EEC activities without prior approval from the Commission. In the absence of a section 44.2 public interest determination, the Commission must assess the forecast amortization expenses relating to past NGV Program expenditures when setting rates for the FEU. In fact, the NGV Program amortization expenses are currently included in the FEU’s Revenue Requirements Application before the Commission, and the FEU are seeking that these costs be recovered in rates.

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<sup>9</sup> FEU Final Submissions, Part Two.

<sup>10</sup> FEU Final Submissions, Part Two (pp. 16-17).



16. The NGV Program has many benefits to customers, including keeping natural gas delivery rates low for the benefit of all users.<sup>11</sup> As explained in Part Three and Four of its Final Submissions, the FEU submit that the NGV Program expenditures are in the public interest, were prudently incurred, and should therefore be approved. These submissions apply whether or not the expenditures meet the definition of “demand-side measure.”

#### **D. CONCLUSION**

17. The benefits of including NGV Program funding within the overall EEC portfolio are well-established, and the rationale for stakeholders - including customers and Government - supporting those initiatives is clear. The NGV Program initiatives pursued to date are among the strongest initiatives in the overall portfolio when assessed according to the Commission-approved Total Resource Cost (“TRC”) test, and high-to-low carbon fuel switching has environmental and other benefits. The NGV Program promotes energy efficiency, adding relatively flat NGV load which results in a more efficient use of the natural gas delivery system and lower GHG emissions in the Province. The FEU respectfully submit the Commission should therefore conclude that the NGV Program is a demand-side measure within the meaning of the *UCA* and the *Clean Energy Act* and that the FEU are able to apply EEC funding to the NGV Program within the Commission-approved EEC expenditure schedule. In the alternative, the FEU submit that the Commission should nonetheless conclude the expenditures on the NGV Program were prudent and in the public interest and therefore eligible for recovery from ratepayers in rates to be set for the FEU.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated: June 10, 2011

*[original signed by Matthew Ghikas]*  
**Matthew Ghikas**  
**Counsel for FortisBC Energy Inc.**

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<sup>11</sup> Exhibit B-1, BCUC IR 1.7.2 and 1.7.3.