



Diane Roy
Director, Regulatory Affairs

FortisBC Energy
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (604) 576-7349
Cell: (604) 908-2790
Fax: (604) 576-7074
Email: diane.roy@fortisbc.com
www.fortisbc.com

Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

January 16, 2014

Via Email
Original via Mail

Fort Nelson & District Chamber of Commerce
5500 Alaska Highway, P.O. Box 196
Fort Nelson, B.C.
V0C 1R0

Attention: Ms. Bev Vandersteen, Executive Director

Dear Ms. Vandersteen:

Re: FortisBC Energy Inc. (FEI)

Application for a Certificate of Public Convenience and Necessity (CPCN) to Construct and Operate a Transmission Pressure Pipeline Crossing of the Muskwa River (the Application) for the Fort Nelson Service Area

Response to the Fort Nelson & District Chamber of Commerce (FNDCC) Information Request (IR) No. 1

On November 29, 2013, FEI filed the Application as referenced above. In accordance with Commission Order G-207-13 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to FNDCC IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

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

FortisBC Energy Inc. (FEI or the Company) – Fort Nelson Service Area Application for a Certificate of Public Convenience and Necessity (CPCN) to Construct and Operate a Transmission Pressure Pipeline Crossing of the Muskwa River (the Application)	Submission Date: January 16, 2014
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1 **1.0 Reference: Executive Summary**

2 **Exhibit B-1, Section 1.2, pp.1,2**

3 "FEI is applying to the commission to replace the existing NPS 6 pipeline crossing of the
4 Muskwa River in Fort Nelson, BC with a NPS 6 pipeline crossing installed by trenchless
5 construction." (pi)

6 1.1 Please provide information on how FEI determined Fort Nelson's potential future
7 natural gas consumption needs and the reasoning in deciding to replace the line
8 with a NPS 6 and not a larger capacity line.

9
10 **Response:**

11 Please refer to the response to BCUC IR 1.1.3.

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15 1.2 During a meeting with Northern Rockies Regional Council (NRRC) FEI stated
16 that they had looked at the previous 5 years history to extrapolate future growth
17 however the Northern Rockies Regional Municipality (NRRM) is expected to see
18 huge potential growth due to the development of LNG resources. The previous 5
19 years would not reflect the expected growth. Was any consideration given to gas
20 development and expansion?

21
22 **Response:**

23 Yes, as further explained below.

24 The current load forecast for the Fort Nelson region shows an increase greater than a simple
25 extrapolation of the previous 5 years history. The current forecast shows that load requirements
26 will grow to 174% of current demand by 2038-2039. A simple extrapolation would result in a
27 growth of less than 140% over that 25 year time frame. The forecast does account for some
28 accelerated growth driven by increased gas development and expansion. The basis of this
29 forecast and an explanation of the reasonableness of the NPS 6 sizing of the crossing are
30 described in more detail in the response to BCUC IR 1.1.3.

31 The current Fort Nelson Transmission Pipeline Lateral with no additional pipeline improvements
32 could support greater than 159% - 205% of the current demand north of the Muskwa River
33 crossing. As indicated in the referenced response BCUC IR 1.1.3, due to the size (NPS 6) and
34 location of the Muskwa River pipeline crossing, the crossing itself will not be a bottleneck to

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1 capacity in the foreseeable future. Pipeline reinforcements, when they become necessary, will
2 not be directed at increasing the size of the NPS 6 Muskwa River crossing. Improvements
3 would be directed to existing NPS4 pipeline segments located north and south of the proposed
4 crossing. Following that, improvements would most likely be directed at other pipeline
5 segments nearer the Spectra Fort Nelson tap where the capacity improvements would benefit
6 customers on both sides of the Muskwa River crossing.

7
8

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10 1.3 Did FEI consult with the NRRM regarding the growth expectations? At the recent
11 public council meeting FEI informed NRRM of their forecast but to FNCO's
12 knowledge no consultation took place.

13

14 **Response:**

15 On October 28, 2013, during FEI's presentation of the potential pipeline crossing to the NRRM,
16 questions were raised about the size of the piping to meet the expected growth in the
17 community in the foreseeable future. At the meeting FEI discussed the pipe size then being
18 considered. The size of the pipe eventually proposed in the Application to the Commission was
19 NPS 6.

20 FEI notes that it did consider Fort Nelson's historical growth rate coupled with present
21 knowledge of the growth opportunities available to Fort Nelson when designing the Project.
22 Specifically, FEI's forecast is refreshed annually and is based on an account forecast
23 considering provincial housing starts data by the Conference Board of Canada and a municipal
24 breakdown of household formations by BC Stats. This account forecast is combined with FEI's
25 current Fort Nelson customer utilization rates drawn from billing consumption records for the 2
26 year period ending December 31, 2012 to determine a load (consumption demand) forecast.

27 This forecast indicates a growth in gas consumption to 174% of current demand over the next
28 25 years.

29 In addition, FEI is aware of studies such as the Northern Rockies Community Development and
30 Infrastructure Investment Planning Project that indicate the potential for even greater growth
31 and has considered those higher growth scenarios in considering the sizing of the crossing.
32 Although some scenarios will require improvements to the Fort Nelson transmission pipeline
33 lateral, FEI is confident that increasing the sizing of the Muskwa River crossing to greater than
34 NPS 6 will not be required to improve capacity to accommodate more aggressive growth
35 forecasts. Please also refer to the responses to BCUC IR 1.1.3 and FNDCC IR 1.1.4.



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1.4 Please provide information on the population / business sector this line is expected to support at capacity.

Response:

In the responses to BCUC IR 1.1.3 and FNDCC IR 1.1.2, FEI indicates that the existing Fort Nelson Transmission Pipeline Lateral with no additional pipeline improvements has the capacity to support 159% - 205% of the current demand north of the Muskwa River crossing. This usually would support an increase of similar proportions in both residential and commercial populations; however, FEI's current forecast anticipates a higher rate of commercial than residential growth. As described in the response to BCUC IR 1.1.3, pipeline reinforcement projects to increase capacity would not be directed at increasing the size of the Muskwa Pipeline crossing but at other pipeline reinforcement projects such as looping or replacing the existing NPS 4 pipeline segments that currently exist on either side of the NPS 6 pipeline crossing.

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1 **2.0 Reference: Cost Estimate Details**

2 **Section 6.1, p. 47**

3 **Section 6.2, p. 50**

4 FEI states the expected cost of the project to be an estimated \$7,040 million

5 On March 28th , 2012, Bob Gibney, FortisBC wrote to the NRRC "The rate impact to Fort
6 Nelson will be approximately 5.30% if we are allowed to install the crossing on the
7 bridge, if we are required to construct a standalone river crossing the rate impact will be
8 6.20%. At 5.9% the average annual billing impact will be \$59 and at 6.2% the average
9 annual impact will be \$69 based the average Fort Nelson annual gas consumption of
10 140GJ. The capital cost of the project is currently estimated to be \$3.115 million
11 increasing to approximately \$3.774 million for the aerial crossing."

12 On page 50 of the application FEI also states " ... rates for 2013 already include \$3.1
13 million in capital costs associated with the Project based on the 2011 approval."

14 2.1 Please explain the increased cost estimate as stated in the application.

15

16 **Response:**

17 FEI interprets the question to be regarding a comparison between the \$7.040 million for the
18 currently proposed HDD crossing and the \$3.774 million for the original Aerial Crossing method.

19 As stated in the Application, the nature of the Project and, accordingly, the costs, have changed
20 since March 2012. The standalone river crossing (Aerial Crossing) impact as quoted in March
21 2012 was based on a previous Class 4 engineering estimate of the capital costs of the aerial
22 crossing option and stated in 2010\$. In this CPCN, the Class 3 HDD option is now the
23 proposed river crossing method and has been stated in 2014\$. Therefore, the two cannot be
24 compared in a meaningful way because of the different Class estimates and dollars used.

25 Please refer to Section 4 of the Application for a discussion on the crossing alternatives
26 considered for this Project and please also refer to the response to BCUC Confidential IR 1.2.2
27 for a comparison between previous and current cost estimates of the alternatives, adjusted for
28 inflation.

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32 FEI states that for "a typical Residential customer consuming an average of 140 GJ per
33 year, this equates to approximately \$57 per year. For a rate 2.1 general Commercial



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1 Service customer consuming approximately 460 GJs per year, this equates to
2 approximately \$189 per year.

3 2.2 Please provide information on the number of customers this is expected to
4 impact, both by residential and commercial.
5

6 **Response:**

7 The updated 2014 average number of customers forecast used to derive the FN revenue
8 surplus in the 2014 FN Deferral Account Treatment Application is provided in the table below.
9 The rate impacts provided in this Application would be applicable to all of these customer
10 classes.

	2014 Average Number of Customers
Rate 1 Residential	1,952
Rate 2.1 General Commercial Service	455
Rate 2.2 General Commercial Service	33
Rate 25 Transportation Service	2
Total Average Number of Customers	<u>2,442</u>

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15 2.3 Please provide the expected timelines for the above noted increases and at what
16 point customers can expect to see the charges removed from their billing.

17

18 **Response:**

19 The rate increases referenced in the question are the estimated average increases to customer
20 bills over the 25 year analysis term of the Project. Customers will see a larger increase than the
21 amounts stated above in the first few years of the Project followed by lower impacts until the
22 capital is fully amortized after 69 years.

23 Please refer to the responses to BCUC IR 1.22 series.

24

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1 **3.0 Reference: Regulatory History and Pursuit of the IP Bridge Option**

2 **Section 1.3, p. 5**

3 FEI states " ... continuing to pursue approval with PWGSC until May of 2013 when the
4 FEI appeal to the Minister responsible for PWGSC was rejected."

5 3.1 Please advise what consultation took place with the community of Fort Nelson
6 and what level of support for the bridge crossing was communicated to PWGSC
7 other than the letter of support from FNFN and the NRRC noted in your
8 appendices.

9
10 **Response:**

11 FEI discussed the bridge crossing option with the NRRM, the Chamber of Commerce, the Fort
12 Nelson First Nation, and the local Member of Parliament. For instance, FEI made a
13 presentation of the proposed bridge crossing to the Fort Nelson Northern Rockies Regional
14 Municipality mayor and council on September 12, 2011. The proposed bridge crossing option
15 received a motion of support from Mayor Bill Streeper and council, followed by a letter on
16 September 15, 2011, which is attached as Appendix J3 to the Application. A local representative
17 of PWGSC was in attendance at the FEI presentation. Based on FEI's discussion and
18 communication with these groups and individuals, FEI believed that the community of Fort
19 Nelson was in favor of pursuing and completing the bridge crossing. The community's
20 sentiment was communicated regularly to PWGSC from the formal application to PWGSC of
21 March 11, 2011 to the appeal to the Minister Responsible for PWGSC on March 25, 2013.

22 During the period of the application review with PWGSC, FEI contacted Prince George / Peace
23 River Member of Parliament Bob Zimmer and updated him of the status of the FEI bridge
24 application with PWGSC. When FEI advised MP Bob Zimmer that PWGSC had considered the
25 denial of permission as final, he volunteered to provide a letter of support for FEI's proposed
26 bridge crossing to the Minister Responsible for PWGSC, MP Rona Ambrose. FEI subsequently
27 sent a letter to the Minister responsible for PWGSC, Rona Ambrose, with a copy to Bob Zimmer
28 on March 25, 2013. This letter was attached as Appendix J3 to the Application. The proposed
29 bridge crossing was eventually denied.

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33 3.2 Please provide the reasons PWGSC cited in the denial of the bridge crossing
34 and provide the reasons why this bridge crossing is different than other existing
35 bridge crossings in the province (e.g. Whistler)?



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Response:

On May 17, 2013, FEI received a letter from PWGSC rejecting FEI’s application to install the pipeline on the Muskwa River Bridge. PWGSC stated that the reasons for denial were that attaching a natural gas pipeline to the bridge would add security and safety risks, however remote, given that the “Muskwa River Bridge is a key component of the ... Alaska Highway” and “the only road serving the northern-eastern part of British Columbia“. A copy of this letter from PWGSC is attached to the Application as Appendix B.

FEI has installed, operates and maintains a number of natural gas pipeline bridge crossings in BC including several critical infrastructure bridges and FEI does not believe Muskwa Bridge crossing to be any different.

This proposed bridge crossing was designed to meet all present technical requirements and BC MoTI guidelines for installing gas lines on bridges. Given that the proposed pipeline would be utilizing modern materials and modern inspection techniques, it is therefore likely that the proposed design would have exceeded the quality of existing bridge crossings in BC.

3.3 If strong support was indicated by the community of Fort Nelson is there any potential for PWGSC to reverse their decision and allow the bridge crossing?

Response:

FEI has exhausted the application and appeal process set out by PWGSC and is seeking necessary approval and permits to proceed with the crossing by trenchless construction as the next most cost-effective solution.