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July 31, 2014

**Via Email**  
**Original via Mail**

British Columbia Public Interest Advocacy Centre  
Suite 209 – 1090 West Pender Street  
Vancouver, B.C. V6E 2N7

Attention: Ms. Tannis Braithwaite, Acting Executive Director

Dear Ms. Braithwaite:

**Re: FortisBC Energy Utilities<sup>1</sup> (FEU)**  
**2014 Long Term Resource Plan (the Application)**  
**Response to the British Columbia Public Interest Advocacy Centre on behalf of**  
**the British Columbia Pensioners' and Seniors' Organization *et al* (BCPSO)**  
**Information Request (IR) No. 2**

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On March 25, 2014, the FEU filed the Application as referenced above. In accordance with the British Columbia Utilities Commission Order G-56-14 setting out the Regulatory Timetable for review of the Application, the FEU respectfully submit the attached response to BCPSO IR No. 2.

If further information is required, please contact the undersigned.

Sincerely,

**on behalf of the FORTISBC ENERGY UTILITIES**

***Original signed:***

Diane Roy

Attachments

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

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<sup>1</sup> comprised of FortisBC Energy Inc., FortisBC Energy (Vancouver Island) Inc. and FortisBC Energy (Whistler) Inc.



FortisBC Energy Utilities (FEU or the Companies) 2014 Long Term Resource Plan (the Application)	Submission Date: July 31, 2014
Response to British Columbia Public Interest Advocacy Centre on behalf of the British Columbia Pensioners' and Seniors' Organization <i>et al</i> (BCPSO) Information Request (IR) No. 2	Page 1

1 **1.0 Reference: Exhibit B-2, BCUC IR1.1.5, General**

2 1.1 Would it be fair to conclude from the referenced response that rejection by the  
3 Commission of the subject LTRP would have no significant impacts on FEU  
4 either presently or in its future applications?

5  
6 **Response:**

7 As stated in the response to BCUC IR 1.1.5, the FEU can only speculate on the impact if the  
8 Commission were to reject the 2014 LTRP. If the Commission does not accept or only partially  
9 accepts the FEU's 2014 LTRP, the FEU believe that information and statements of planned  
10 extensions and other information contained in the 2014 LTRP could still be used to provide  
11 context for future CPCN applications, and the 2010 LTRP (accepted on February 1, 2011) and  
12 the Companies' Five-Year Capital Plans could be relied upon, if necessary, for submitting any  
13 future applications. The *Utilities Commission Act* (UCA) does not require acceptance of a  
14 resource plan to use information contained within the plan in future applications.

15 The FEU take the resource planning process very seriously and the implications of a rejection  
16 by the Commission would depend entirely on the nature and reasons for the Commission's  
17 decision. Nevertheless, the FEU believe that the Commission should accept the LTRP because  
18 it has met all of the requirements of the UCA (see Table 1-2 of the LTRP, Exhibit B-1, for  
19 information on each Act requirement and where the requirement is addressed in the 2014  
20 LTRP), it meets the Commission's directives provided in the 2010 LTRP Decision (see Table 1-  
21 3 of the LTRP, Exhibit B-1), and the FEU have followed the BCUC Resource Planning  
22 Guidelines, as appropriate, in preparing the 2014 LTRP.

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1 **Response:**

2 No. The referenced responses simply indicate that for the purposes of long-term resource  
3 planning, the FEU used an informed assumption of an EEC spending level of \$35 million based  
4 on the current understanding of market demand for EEC measures and programs in order to  
5 adjust estimated savings to reflect reasonably “achievable” levels of EEC.

6 It may be possible that there is more demand for EEC measures and programs in the future and  
7 increased spending could lead to an increase in societal benefits from EEC (although as  
8 explained in the response to BCPSO IR 2.2.1, this may be unlikely due to the potential for  
9 diminishing efficiency returns for cost-effective spend). It may also be possible that new  
10 efficient technologies are developed and/or existing technologies become cost-effective. It is for  
11 these reasons of a dynamic market for EEC that the FEU intend to conduct a new CPR to  
12 inform future EEC programing and Long Term Resource Plans. It is also for these reasons that  
13 actual EEC programs are developed and refined on an ongoing basis based on experience with  
14 past EEC, and analysis of current market conditions. But this development of EEC programs  
15 and the setting of EEC spending levels are separate and distinct processes from the process of  
16 demand forecasting for the purposes of long term resource planning. Demand forecasting  
17 involves the setting of informed assumptions, one of which was the \$35 million EEC budget.  
18 Please refer to the responses to BCUC IRs 1.2.3 and 1.3.1.

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1    **3.0 Reference: Exhibit B-2, BCUC IR 1.8.2.1, Coordination of EEC/DSM Incentives**

2           3.1 Is there a formal process by which FEU and BC Hydro ensure that their  
3           incentives programs are compatible in ensuring efficient outcomes?

4  
5    **Response:**

6    Yes, through the memorandum of understanding (MOU) first signed in 2009 and cited in the  
7    FEU's response to BCUC IR 1.8.2.2, there is a formal process in place by which the FEU and  
8    BC Hydro ensure that their EEC/DSM programs work together as applicable to ensure efficient  
9    outcomes.

10   To meet the intent of the MOU, a Project Charter was created to structure the desired  
11   outcomes, including how they would be achieved. The Charter established the necessary and  
12   appropriate organizational and management structure, including:

- 13           • a communications protocol;  
14           • a reporting system and issue resolution process;  
15           • guidance to determine project prioritization, work planning and resource allocations;  
16           • a process for creating work groups, deliverables, milestones and outcomes;  
17           • a framework on how outcomes will be achieved;  
18           • a process for entering into binding Collaborative Agreements; and  
19           • clarification on confidentiality.

20   The management structure of the MOU has been set up as follows:

- 21           • **Executive sponsorship committee** (responsible for overall governance of MOU;  
22           provides leadership and vision);  
23           • **Project steering group** (executes the Charter within the framework and guidance of the  
24           MOU, ensures projects are in compliance with legislation, assigns resources and  
25           budgets, defines success for the projects through the definition of desired outcomes and  
26           success metrics, establishes areas of priority, resolves issues, prepares updates,  
27           approves communications plans/activities);  
28           • **Project management office** (coordinates and facilitates the smooth operation of the  
29           Working Groups and reports on progress of deliverables and key metrics); and  
30           • **Initiative working groups** (delivers the desired outcomes and business objectives  
31           within framework of MOU and Charter, develops Task Plans and reporting methods,  
32           offers advice, produces deliverables, delivers projects to completion, defines cost  
33           sharing arrangement).

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1    **4.0    Reference:    Exhibit B-2, BCUC IR 1.19.12, REUS Survey**

2           4.1       Given the low response rates to the survey, is FEU convinced that the responses  
3                   received constitute a random sample of all residential customers? If so, please  
4                   explain how FEU is convinced of this.

5

6    **Response:**

7    Yes, the FEU are confident that the results of the 2012 REUS are an accurate representation of  
8    the residential customer population, which is the best way to judge the accuracy of the survey  
9    results. In the design of the survey, the FEU created a sampling frame larger than that created  
10   for the 2008 REUS (25,069 versus 11,260 in 2008). This was primarily to ensure that the FEU  
11   had an adequate number of responses to view the results regionally. As a result, while the  
12   response rate for the 2012 REUS was lower than for the 2008 REUS (13.7 percent versus 20  
13   percent in 2008), the number of responses was significantly greater (3,444 versus 2,221 in  
14   2008).

15   The sample was randomly selected from our residential customer (Rate 1) base; the only  
16   qualification was for a requirement for 24 consecutive billing months by the same customer at  
17   the given property. This was necessary for the Conditional Demand Analysis portion of the  
18   study.

19   Weighting was applied to the results to ensure that they accurately reflected the regional  
20   distribution of the FEU customer population. Because the demographic characteristics of our  
21   customers are unknown, no other weightings were applied to compensate for any non-response  
22   bias.

23   The FEU will continue to work with our research partners to address lower response rates and  
24   to ensure that non-response bias does not significantly impact the creditability of the research.

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1    **5.0    Reference:    Exhibit B-2, BCUC IR 1.20.2, Natural Gas Prices**

2           5.1    In FEU's view, can speculative or paper trading impact commodity prices in the  
3                   short or medium run?

4  
5    **Response:**

6    Yes. The FEU recognize that market gas prices reflect speculative and financial trading as well  
7    as actual physical trades. All of this activity contributes to the proper functioning of a healthy  
8    natural gas marketplace. This trading activity is conducted by a multitude of market  
9    participants, which is important because it provides liquidity and transparency to market prices  
10   and enables the marketplace to operate efficiently in responding to market changes.

11   A good example is the Western Canadian Sedimentary Basin market hub known as the Alberta  
12   Nova Inventory Transfer or "NIT" market (sometimes also refer to as the AECO market).  
13   Volumes traded at NIT are typically over six times the amount of physical flow, providing market  
14   participants with access to over 60 Bcf/d of daily transactions.<sup>1</sup> This has allowed the NIT  
15   market to evolve into one of the largest and most liquid natural gas trading hubs in North  
16   America.

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<sup>1</sup> <http://www.transcanada.com/customerexpress/update/news/2011/2011-04-04-nit>

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1    **6.0    Reference:    Exhibit B-3, BCPSO IR 1.2.1 and 1.2.3, Scenario Analysis**

2           6.1    Given the response to the referenced IRs, is it appropriate to consider all  
3                   scenarios as equally probable or does FEU maintain that the analysis is  
4                   undertaken under uncertainty (as opposed to risk) and, as such, no probabilities  
5                   can be inferred.

6  
7    **Response:**

8    As stated in the response to BCPSO IR 1.2.1, the scenarios are only intended to put reasonable  
9    boundaries on future annual demand without assigning any probabilities. Since no scenario has  
10   any assigned probability, neither probability nor relative ranking can be inferred.

11   Please also refer to the responses to CEC IRs 1.48.1 and 1.48.1.1.

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13



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1    **7.0    Reference:    Exhibit B-3, BCPSO IR 1.2.5, Demand Forecast**

2            7.1    The response to the referenced IR refers to BCUC IR 1.23.1. Can FEU confirm  
3                    that this response only indicates that residential and commercial demand are  
4                    only significantly statistically dependent on heating degree days (HDDs) other  
5                    things equal?  
6

7    **Response:**

8    Not confirmed.

9    The response to BCUC IR 1.23.1 does not *only* indicate that residential and commercial  
10   demand are only statistically dependent on HDDs. The response to BCUC IR 1.23.1 also  
11   discusses the End Use Forecast with respect to the characteristics of a good forecast as  
12   proposed by the Midcontinent Independent System Operator whitepaper.

13   Part of the response presents analysis of a number of variables that residential and commercial  
14   demand are potentially sensitive to. As the response shows, in the case of both commercial  
15   and residential demand the only factor of the set of factors considered that can explain the  
16   variance year over year is weather (HDDs).

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1    **8.0    Reference:    Exhibit B-3, BCPSO IR 1.6.1, Access to Liquid Trading Hubs**

2           8.1    At liquid trading hubs, can spot prices be affected by speculative or paper  
3           trading?  
4

5    **Response:**

6    Yes. Please refer to the response to BCPSO IR 2.5.1.  
7  
8

9  
10          8.2    At the liquid trading hubs to which FEU has access, is the FEU aware of the daily  
11          ratio of the volume of paper-traded commodity to the volume of physical  
12          commodity traded? If so, please provide this ratio.  
13

14   **Response:**

15    Please refer to the response to BCPSO IR 2.5.1.  
16  
17

18  
19          8.3    At the liquid trading hubs to which FEU has access, are the spot prices at which  
20          commodity is trading made publicly available to buyers and sellers at the time  
21          that they make their various bids and offers?  
22

23   **Response:**

24    Yes.  
25