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## Electronic Filing

British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC V6Z 2N3

**Attention: Mr. Patrick Wruck, Commission Secretary**

Dear Sirs/Mesdames:

**Re: FortisBC Energy Inc. 2017 Long Term Gas Resource Plan ~ Project No. 1598946**

We enclose for filing in the above proceeding the Reply Argument of FortisBC Energy Inc, dated December 20, 2018.

Yours truly,

**FASKEN MARTINEAU DuMOULIN LLP**

*[Original signed by]*

David Curtis  
Personal Law Corporation

DHC

Encl.



**BRITISH COLUMBIA UTILITIES COMMISSION**

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

**FORTISBC ENERGY INC.  
2017 LONG TERM GAS RESOURCE PLAN**

Project No.1598946

**Reply Submissions of FortisBC Energy Inc.**

**December 20, 2018**

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## PART ONE: INTRODUCTION

### A. Overview

1. These reply submissions address the final arguments of the B.C. Sustainable Energy Association and Sierra Club of British Columbia (“BCSEA”) and the Commercial Energy Consumers Association of British Columbia (“CEC”).

2. The positions of the interveners with respect to FEI’s 2017 Long Term Gas Resource Plan (“LTGRP”) are the following:

(a) CEC recommends that the British Columbia Utilities Commission (“BCUC”) accept FEI’s LTGRP, subject to certain requests and further filings that it outlines in its submissions; and

(b) Subject to comments and recommendations set out in its final argument, BCSEA does not object to the BCUC accepting the LTGRP.

3. FEI appreciates the thoughtful contributions that CEC and BCSEA have made in this proceeding, and the support for the LTGRP expressed in their submissions.

4. The fact that CEC recommends, and BCSEA does not oppose, acceptance of the LTGRP further demonstrates that the requirements of section 44.1(2) of the *Utilities Commission Act*, R.S.B.C. 1996, c. 473, are met, and that the plan is in the public interest and should be accepted by the BCUC.

5. FEI has endeavored to limit its submissions to proper reply and to not provide submissions in response to issues raised that are adequately addressed in its Final Argument. Accordingly, FEI has not addressed each and every concern raised by interveners in their submissions. FEI’s silence on an issue raised should not be taken as agreement on any intervenor submission on a particular topic.

6. For the reasons explained in this submission and in its Final Argument, FEI submits that the LTGRP complies with all legislative requirements, is in the public interest, and should be accepted.

## PART TWO: REPLY TO CEC

### A. CEC's Recommendations for "Compliance Filings"

7. At paragraphs 32 and 55 of its submissions, CEC asks the BCUC to order FEI to provide "compliance filings" following the issuance of the decision in this proceeding. FEI does not agree that compliance filings are an appropriate outcome in a section 44.1 proceeding.

8. CEC does not make any submissions as to why the suggested compliance filings are required, as opposed to directions under section 44.1(2)(g). In any event, section 44.1 does not contemplate compliance filings resulting from a proceeding and none should be ordered. If the BCUC determines that further information is required in a future plan, it should issue a direction under section 44.1(2)(g) that the next LTRP include the desired information. FEI addresses CEC's specific requests for further information below.

9. FEI further points to the Independent Review of the British Columbia Utilities Commission Final Report, dated November 14, 2014, in which the authors made the following recommendations regarding compliance filings at p. 30:

There are initiatives that enable the BCUC to instill stakeholder confidence in the regulatory process without being overly burdensome. For existing and future compliance reports, **the BCUC should ask itself if the contents are necessary and useful, especially if the report is being prepared exclusively for the BCUC. Compliance resources should focus on matters that pose risks of increasing customer costs and rates: CPCN project progress reports are examples.** Some of the onus needs to be shifted from the BCUC to the reporting utility to report deviations from forecasts that predicated a decision, such as the timely reporting of cost of overruns or actual versus forecast gas extension connections. Some periodic compliance reports could have sunset clauses, and the decision to discontinue them could be delegated to staff to avoid the need for Commission Orders.

### ***Recommendations***

The BCUC should make additional efforts to ensure all compliance reports are **necessary and useful, and eliminate the reporting requirement for those that are not.**

The BCUC should place more responsibility on regulated entities to report, on an exception basis, **deviations from forecasts that could affect costs and rates, instead of routine reporting.**

The BCUC should reconsider the need for a separate Performance Monitoring, Conduct and Compliance group as the best way to manage the compliance reporting function. [Emphasis added.]

10. FEI submits that the compliance filings suggested by CEC do not meet the threshold requirement of being “necessary and useful” as suggested in the above report excerpts. FEI submits that CEC’s recommendations for compliance filings should be rejected.

**B. Demand Estimate**

11. At paragraph 22 of its submissions, CEC makes the following submission regarding FEI’s demand forecasting methodology:

22. The CEC submits that the End Use scenarios do not have significant value for forecasting purposes because they have no ‘expectations’ nor probabilities attached.

12. FEI submits that the BCUC should not direct FEI to modify its forecasting to take into account “expectations” or “probabilities” as suggested by CEC. FEI submits that this would cause an exponential increase in its model complexity and would not necessarily add value to the scenario analysis. FEI submits that scenarios simply examine what is plausible in the future, so that it can consider this when contemplating contingencies. Assigning probabilities is not essential for this exercise and FEI does not believe that it would add value to the forecasting exercise.

**C. Demand Estimate**

13. At paragraph 25 of its submission, CEC makes the following recommendation:

25. The CEC submits that there is no evidence on the record to suggest that the End Use scenario methodology provides a superior forecast to the traditional methodology, and the CEC recommends that both methodologies be continued until such evidence may be gathered and assessed.

...

34. The CEC recommends that the Commission request the FEI report on the effectiveness of the forecasting methodologies in its next LTRP.

14. FEI is agreeable to addressing this issue in its next LTGRP if directed to do so by the BCUC, but cautions that the value of this reporting may be limited as evidence of the effectiveness of the forecasts will be limited given that only a few years pass between each LTGRP filing. FEI also notes that, as explained in Section 3 of the 2017 LTGRP, the value of the end-use annual demand forecast method extends beyond creating a Reference Case forecast trajectory because the end-use method enables FEI to also examine alternate future scenarios. As such, variance of forecast results to actuals by itself provides an incomplete metric for evaluating the effectiveness of the end-use annual demand forecast method.

#### **D. Demand Estimate**

15. At paragraphs 28 and 30 of its submission, CEC makes the following statements about how FEI's weather normalization method was addressed in the IR process:

28. In CEC 2.2.3 the CEC cited a document by Scott Madden Management Consultants which poses that global warming is diminishing the effectiveness of 30 year historical data in weather normalization, and creating a 'cold-bias'. Scott Madden states that some utilities are shortening their historical weather average datasets from 30 years to 10 or 15 years.

30. The CEC submits that a 'cold-bias' as a result of using biased weather normalization practices would also suggest that FEI's demand under both the traditional and end-use methodologies is overly high.

16. On this basis, CEC makes the following recommendation at paragraph 32 of its submission:

32. The CEC recommends that the Commission request FEI to examine the cold-bias issue and provide an evaluation of the potential benefits of adjusting its weather normalization practices in a compliance filing.

17. FEI does not believe there is a cold bias in its annual demand forecasting weather normalization method because, as explained in its response to CEC IR 2.2.1, FEI uses the most recent 10 years of weather data for its normalization method. As such, FEI submits that the ratepayer would derive virtually no value from the BCUC directing FEI to further examine cold-bias.

#### **E. Infrastructure Planning**

18. At paragraph 38 of its submission, CEC makes the following recommendation:

38. The CEC recommends that the Commission request FBC to provide a statistical assessment of the historical UPC over 20 years in a compliance filing.

19. FEI assumes the reference to “FBC” in the above paragraph was intended to be a reference to “FEI”.

20. As explained in the response to CEC IR 2.14.1, peak UPC data prepared in a manner consistent with the current processes is not available for the Coastal Transmission System (CTS) and Interior Transmission System (ITS) prior to 2002 and for the Vancouver Island Transmission System (VITS) prior to 2007. For this reason, FEI believes that providing the suggested 20-year assessment would require significant effort in relation to the additional value that such an assessment would provide.

21. Nevertheless, FEI could examine peak UPC values across a period longer than 10 years and back to the above noted cut-off years, and is agreeable to doing so as part of its next LTGRP if the BCUC makes such a direction.

22. For the reasons stated above, FEI does not agree to provide this assessment in a “compliance filing” as suggested by CEC.

#### **F. “Capability to Deliver”**

23. At paragraphs 118 to 120 of its submissions, CEC makes the following observations:



118. The CEC agrees with FEI's position but would add that it is appropriate for the Commission to assess whether the plan demonstrates FEI's intention to pursue 'and capability to deliver' adequate, cost-effective demand side measures.

119. The CEC submits that an assessment of the 'capability to deliver' adequate, cost effective demand side measures during the planning horizon might reasonably consider whether or not the utility has conducted the appropriate background work to ensure the viability of future plans.

120. The CEC submits that substantial background work and planning has been conducted including the development of the CPR.

24. At paragraph 133 of its submission, CEC agrees that FEI's LTGRP has met the requirement in section 44.1(8)(c), but as noted in the above cited paragraphs it suggests that the test under this section of the Act should include "capability to deliver" adequate, cost effective DSM.

25. With respect, such a requirement would amount to re-writing the legislative requirements under section 44.1, and the BCUC should not accept this suggestion. It would impose a requirement without jurisdictional basis, and furthermore it would involve a requirement that is impossible to properly consider. The LTGRP planning horizon is a 20 year span of time, and while it is possible for FEI to express its *intention* to pursue adequate, cost-effective DSM over the planning horizon, a consideration of its "capability to deliver" over a 20 year period is a significantly more complicated and unhelpful exercise. It is unclear what such a consideration would require and unclear how FEI, or any company, could demonstrate a *capability* to deliver something 20 years in the future. This is clearly why the legislature adopted the language of *intention* in section 44.1, and not "capability to deliver". To be clear, FEI is confident that it will have this capability over the planning horizon given its *history* of providing DSM, but does not believe that it is a useful (or required) exercise to demonstrate this over a 20 year period.

**G. DSM Plans for NGT**

26. At paragraphs 43 and 130 of its submissions, CEC makes the following observations and recommendations:

43. The CEC submits that FEI should be initiating DSM plans for its NGT business.

...

130. The CEC is of the view that FEI has not put in place DSM for its NGT service and should plan to do so at the request of the Commission.

27. FEI respectfully submits that the BCUC does not have jurisdiction to direct FEI to put in place DSM for its NGT service. In the BC Hydro F2017 to F2019 RRA Decision (the “BCH 17-19 RRA Decision”), at p. 73 the BCUC determined as follows:

The Panel agrees with BC Hydro that section 44.2 of the UCA does not provide the Commission with the authority to direct BC Hydro to file a DSM expenditure schedule, **make additions to a DSM expenditure schedule**, or change the design of a particular DSM program. However, the Panel notes that, under subsection 44.2(2), BC Hydro would not be able to recover DSM costs in final rates unless these costs have been accepted by the Commission under section 44.2. [Emphasis added.]

28. While this determination is made with respect to section 44.2 of the Act, the reasoning applies with even greater force in the context of section 44.1, which addresses long term resource planning and not specific expenditure schedules under which specific programs are brought to the BCUC. In other words, if the BCUC does not have jurisdiction under section 44.2 to require additions to a DSM program, then it most certainly does not have such jurisdiction under section 44.1.

29. FEI further observes that even if the BCUC had jurisdiction to make the kind of direction suggested by CEC, it would not be an appropriate direction in this case for three reasons. First, preparing such a plan would be a significant burden that is not supported by any evidence as to whether it would represent a prudent effort. Second, FEI likely does not have a

significant enough market share to be able to effectively implement cost effective DSM. Third, the NGT technology is relatively new which means that it is unlikely that efficiency improvements are available at this time such that a DSM program would make economic sense.

#### **H. Plans for Reducing GHG Emissions**

30. At paragraphs 54 and 55 of its submission, CEC makes the following observations and recommendation:

54. The CEC submits that the LTGRP may be deficient in not having DSM plans to support a contribution to meeting deep GHG emission reduction targets.

55. The CEC recommends that the Commission request that FEI submit DSM or other plans for reducing GHG emissions to new targets and provide such information in a compliance filing.

31. For the reasons stated above, FEI submits that the BCUC should not direct the suggested “compliance filing”.

32. Section 44.1 of the Act does not require FEI to include with its filing a plan to support a contribution to meeting “deep GHG emission reduction targets” as suggested by CEC. As a result, there is no deficiency as CEC suggests and no basis for the BCUC to make the suggested direction.

33. In related submissions on a similar theme at paragraphs 168 to 171 of its submissions, CEC states:

168. The CEC notes that FEI treats its scenarios as ‘happening’ around the utility and needing a response. The CEC believes it is appropriate for FEI to have scenarios about where it is desirable be in the future, and develop plans as to how it could get there.

169. FEI submits that its scenario analysis is sufficiently broad to simulate the outcomes of such actions, even if FEI is not certain as to how they would become implemented.

170. The CEC disagrees with FEI that the scenarios are sufficiently broad as to incorporate the possibility of such an event.

171. The CEC recommends that the Commission consider asking FEI for plans to meet a future 60% GHG reduction target.

34. In reply, FEI submits that CEC's submissions to the effect that FEI should be developing "plans as to how it could get there" concern matters of corporate strategy and utility management that are beyond the scope of the BCUC's jurisdiction. As the panel found in the 2014 LTRP Decision:

This Commission Panel agrees, and reiterates the distinction between the BCUC creating a strategic plan or even an LTRP versus requesting strategic information to allow the Panel to make an informed decision on the determination of whether an LTRP is in the public interest.

If the Commission Panel were to receive evidence that an LTRP was inconsistent with corporate strategy, then such evidence may be considered in evaluating the reliability of an LTRP and whether it was in the public interest. There is no evidence to suggest that the FEU's evidence respecting its LTRP is inconsistent with their overall corporate strategy. Therefore the Commission Panel declines to specifically direct the FEU to provide information respecting strategic planning or strategic marketing processes.<sup>1</sup>

35. These determinations apply to CEC's recommendation that the BCUC direct FEI to prepare plans for meeting future GHG reduction targets. Such a direction goes beyond the BCUC's jurisdiction.

#### **I. Rate Impacts Into the C&EM Analysis**

36. At paragraphs 59 and 60 of its submissions, CEC makes the following observations and recommendations:

59. FEI did not consider rate impacts as an input into the C&EM analysis as it views these as an output, rather than as an input.

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<sup>1</sup> P. 8.

60. The CEC submits that changes in rates do have an impact on demand and as such should be incorporated into future C&EM where possible to do so.

37. FEI submits that the suggested analysis would cause an exponential increase in model complexity and that this direction should not be made.

38. FEI further submits that rate impact considerations are more appropriately dealt with in other proceedings that specifically address DSM expenditures and rate impacts.

**J. Maximum Achievable DSM**

39. At paragraph 147 to 149 of its submissions, CEC expresses its support for BCSEA's position that FEI's DSM savings estimates are inadequate and overly conservative. CEC submits as follows:

147. The CEC submits that BCSEA has provided reasonable options for pursuing additional DSM. The CEC would support a request from the Commission that FEI develop a plan option for meeting higher GHG reduction targets as these may be required in the future.

148. However, the CEC recommends that the Commission accept FEI's DSM proposal as being adequate under the DSM regulation and that the Commission request FEI to develop and provide the Commission with an option for meeting increased DSM targets.

149. The CEC recommends that when FEI provides its DSM Expenditure Plans for Commission review that it encourage FEI to maximize its cost effective DSM spending to move towards unity in the Total Resource Cost measure.

40. In reply to these submissions, FEI relies on the submissions found at paragraphs 72 to 79 of its Final Argument.

41. In further reply, FEI relies on the same excerpt of the BCH 17-19 RRA Decision in support of its position that the BCUC should not make any directions in respect of the "maximum achievable savings" issue as raised by BCSEA and as supported by CEC. The BCH 17-19 RRA Decision makes clear that the BCUC has already determined that it does not have jurisdiction to make this kind of direction.

42. FEI further notes that CEC's recommendation is about how future BCUC panels should review DSM expenditure plans. FEI submits that it is not appropriate for this panel to make directions as to how future filings under section 44.2 should be reviewed by future panels.

**K. DSM to Defer Infrastructure**

43. At paragraphs 68, 69, 157 and 158 of its submissions, CEC adopts the recommendations of BCSEA with respect to plans to use DSM to defer infrastructure investment:

68. Under the section 'Issues Raised in this Proceeding' below the CEC addresses BCSEA's concern regarding a timeline for determining the impact that DSM may have for deferring and/or avoiding infrastructure costs.

69. The CEC is of the view that this is an important area for further development and should receive significant attention. The CEC recommends that the Commission request FEI to develop a study as proposed by BCSEA.

...

157. The CEC submits that the use of cost-effective DSM to avoid and/or defer new infrastructure could potentially provide significant ratepayer benefits as well as reducing GHG emissions, and should be actively pursued rather than awaiting the opportune moment or the activity of other jurisdictions to pave the way.

158. The CEC recommends that the Commission request that FEI develop a proposed study plan as proposed by Mr. Grevatt and report on the study in the next LTGRP.

44. In reply, FEI repeats and relies on the submissions made at paragraphs 80 to 97 of its Final Argument.

**L. Threats to Supply**

45. At paragraph 177 of its submission, CEC makes the following recommendation:

177. The CEC recommends that the Commission request FEI to provide an overview of how it can respond to both internal and external threats to supply in its next LTGRP.

46. FEI believes that it can examine this issue and provide an evaluation, and is agreeable to doing so as part of its next LTGRP if directed to do so by the BCUC.

### **PART THREE: REPLY TO BCSEA**

47. Many of BCSEA's submissions are in the nature of general comments on FEI's overall business, address matters of climate change and related environmental issues, and indicate either support for or disapproval of various FEI initiatives. While FEI does not agree with everything that BCSEA says in its submissions, it does not believe it is necessary or appropriate to respond to issues that do not specifically address the legal requirements under section 44.1 of the Act. As noted above, BCSEA does not disapprove of acceptance of the LTGRP and FEI appreciates that BCSEA takes this position.

48. By way of example, at paragraph 14 of its submissions, BCSEA makes the submission that FEI "should not overtly encourage implantation of the [Woodfibre LNG] Project". FEI submits that any direction or finding with respect to whether or not FEI should encourage or discourage this, or any other project, is beyond the scope of this proceeding and no directions of this nature should be made. FEI is not seeking approval of any specific project as part of the LTGRP filing.

49. FEI does not address the numerous other submissions on similar themes throughout BCSEA's submissions, including but not limited to the submissions at paragraphs 10, 11, 12, 13, 14, 20, 21, 22, 36 and 37.

#### **B. Filing Date**

50. At paragraphs 45 and 56 of its submissions, BCSEA encourages FEI to file its next LTGRP in 2021 for the following reason:

In terms of the date for the filing of FEI's next LTGRP, BCSEA-SCBC suggest a date in 2021 for three reasons. First, the policy environment will likely change quickly in the next few years. Second, it would be desirable to have a decision on the next LTGRP before FEI files a DSM expenditure schedule to follow the 2019-2022 schedule. Third, there is an extremely wide divergence between the Upper Bound, Reference and Lower Bound forecasts of annual demand starting in about 2021.

51. In the response to BCSEA IR 1.45.1, FEI notes that it typically files LTGRPs every three to five years from the time of the BCUC's decision on the most recently filed LTGRP. FEI does not agree that a 2021 filing date for the next plan is appropriate. On the reasonable assumption that FEI does not receive a decision on this plan until well into 2019, a 2021 filing will be less than two years from the upcoming decision. That is not enough time to allow for the proper development of the next LTGRP. FEI recognizes the value of the BCUC being able to consider an updated LTGRP when considering whether to accept the next DSM expenditure schedule. However, FEI also notes that the value of such an updated LTGRP rests on its proper development based on updated input analyses and studies. More time available for preparing an updated LTGRP provides more time for FEI to properly prepare and include such updated input analyses and studies in the updated LTGRP. Accordingly, FEI prefers a 2022 filing date. FEI further notes that this will avoid resource conflicts with the next LTERP which is due December 1, 2021.

### **C. Recommended Directives**

52. At paragraph 55 of its submissions, BCSEA recommends several directives for FEI's next LTGRP.

53. At paragraph 55 (a), BCSEA submits:

(a) In the next LTGRP, FEI is directed to provide a fulsome analysis of opportunities for DSM to be cost-effectively used to replace or defer infrastructure investments.

54. FEI repeats and relies on the submissions made in paragraphs 80 to 97 of its Final Argument in response to this recommendation.



55. At paragraph 55 (b), BCSEA submits:

(b) The Panel directs FEI to provide in the next LGTRP: (i) an analysis of the GHG targets as set out in British Columbia's energy objectives and an estimate of the portion of the required reduction that the Company believes it can reasonably attain over time; and (ii) an outline of the impact of the implementation of new initiatives on the demand forecast and GHG emission reductions.

56. The suggested directive is similar to previous directives from 2010 and 2014 LTRP proceedings. FEI has conducted this analysis in the past and intends to conduct this in the future according to the best data that is available to it when it conducts the future analysis. As such, FEI believes that a directive on this issue is not necessary but defers to the BCUC's decision on this matter.

57. At paragraph 55 (c), BCSEA submits:

(c) If, in the next LTGRP, FEI provides a demand forecast that includes the possibility of there being insufficient supply for both NGT BC customers and non-BC LNG export customers, then the Panel directs FEI to address how it will insure compliance with section 44.1(8)(d) of the UCA.

58. The suggested directive is similar to previous directives from the 2014 LTRP proceeding. FEI has conducted this examination in the past and, if directed to do so, is prepared to conduct this in the future according to the best data that is available to it when it conducts the future analysis.

**D. Maximum Achievable Savings**

59. At paragraphs 69 to 79 of its submissions, BCSEA addresses the issue it raised through Mr. Grevatt regarding FEI's DSM estimates and the issue of including maximum achievable savings.

60. In reply to these submissions, FEI relies on the submissions found at paragraphs 72 to 79 of its Final Argument.

**E. Fostering British Columbia's energy objectives**

61. At paragraph 64 and 67 of its submissions, BCSEA states:

64. BCSEA-SCBC conclude that the 2017 LTGRP does foster the applicable BC energy objectives to a certain extent, but that much more could be done.

...

67. BCSEA-SCBC believe that the 2017 LTGRP serves FEI's current and future customers only to a limited extent. They believe that FEI will have to considerably expand and deepen its GHG-reduction and energy conservation and efficiency actions in order to achieve the objectives and commitments of the new BC climate action plan.

62. FEI submits that these submissions "that much more could be done" are made without any reference to any supporting evidence filed in this proceeding and they should be rejected.

**PART FOUR: CONCLUSION**

63. FEI submits that the 2017 LTGRP should be accepted as filed pursuant to section 44.1(6)(a) of the UCA.

**ALL OF WHICH IS RESPECTFULLY SUBMITTED.**

Dated: December 20, 2018

*[original signed by David Curtis]*

David Curtis

Counsel for FortisBC Energy Inc.