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**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-194-08

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

and

Terasen Gas Inc. and Terasen Gas (Vancouver Island) Inc.
and Terasen Gas (Whistler) Inc.
2008 Resource Plan

BEFORE: A.W.K. Anderson, Commissioner
A.A. Rhodes, Commissioner December 15, 2008

O R D E R

WHEREAS:

- A. On June 27, 2008, Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc. and Terasen Gas (Whistler) Inc. (collectively "Terasen" or "the Companies") jointly filed a consolidated 2008 Resource Plan ("Resource Plan") for acceptance by the British Columbia Utilities Commission ("Commission") in accordance with Section 44.1 of the *Utilities Commission Act*; and
- B. On May 28, 2008, Terasen Gas Inc. and Terasen Gas (Vancouver Island) Inc. (collectively "TGI and TGVI") filed an Energy Efficiency and Conservation Programs Application ("EEC Application"); and
- C. The Resource Plan includes five-year capital plans and statements of facilities expansion, although the Companies note that they are not requesting approval of these capital plans; and
- D. By Order G-120-08 the Commission established a written proceeding to review the Resource Plan; and
- E. The Rental Owners and Managers Society of BC, British Columbia Hydro and Power Authority ("BC Hydro"), the Ministry of Energy Mines and Petroleum Resources ("MEMPR"), and the British Columbia Old Age Pensioners' Organization et. al. ("BCOAPO") registered as Intervenor in the proceeding; and

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- F. In a letter dated September 9, 2008, BC Hydro submitted that the fuel switching expenditures proposed by TGI and TGVI in the EEC Application are not in the public interest and requested Commission determinations that issues related to the EEC Application would be dealt with exclusively in the EEC Application and that a decision on the Resource Plan would be withheld until the Commission had properly considered the EEC Application; and
- G. In a letter dated September 11, 2008, BCOAPO stated that it shared the concerns of BC Hydro and requested that the regulatory process for the Resource Plan be delayed until after the Commission's decision with respect to the EEC Application was released; and
- H. In a letter dated September 12, 2008, Terasen submitted that the Companies supported a Commission direction confirming that EEC-related issues, including the issue of fuel switching, would be dealt with exclusively in the EEC proceeding. The Companies further submitted that such a direction would be adequate to ensure the EEC Application and the Resource Plan would be reviewed efficiently and fairly and that there was no basis to delay the regulatory timetable established for the Resource Plan; and
- I. By letter L-45-08 dated September 26, 2008, the Commission directed that all issues related to the EEC Application, including fuel switching, would be dealt with exclusively in the EEC proceeding and declined to make any adjustment to the regulatory timetable for the 2008 Resource Plan; and
- J. On September 30, 2008, Terasen responded to Information Requests from the Commission, BC Hydro and BCOAPO; and
- K. On October 7, 2008, Terasen filed its final submissions regarding the Resource Plan; and
- L. BC Hydro and BCOAPO filed their final submissions on October 14, 2008 and October 16, 2008 respectively; and
- M. On October 24, 2008 Terasen filed its reply submissions; and
- N. The Commission Panel determines that acceptance of the 2008 Resource Plan for filing is in the public interest, subject to the comments in the Reasons for Decision attached as Appendix A to this Order.

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NOW THEREFORE the Commission Panel orders that the Resource Plan is accepted for filing by the Commission subject to the comments in the Reasons for Decision attached as Appendix A to this Order.

DATED at the City of Vancouver, in the Province of British Columbia, this 15th day of December 2008.

BY ORDER

Original signed by:

A.A. Rhodes
Commissioner

Attachment

Terasen Gas Inc. and Terasen Gas (Vancouver Island) Inc.
and Terasen Gas (Whistler) Inc.
2008 Resource Plan

REASONS FOR DECISION

On June 27, 2008, Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc., and Terasen Gas (Whistler) Inc. (collectively "Terasen") filed their consolidated 2008 Resource Plan ("Resource Plan") with the British Columbia Utilities Commission (the "Commission"). Terasen's Resource Plan includes five-year capital plans and statements of facilities expansion, but does not include a request for approval of these capital plans. Rather, Terasen will file separate applications for Certificates of Public Convenience and Necessity, if required, for any of those projects consistent with the Commission's guidelines. The Action Plan identifies seven action items (Exhibit B-1, section 9). Only one of those action items, "Implement the new EEC program and continue research and planning for future EEC programming", requires significant new funding, and that funding is the subject of a separate application as discussed below.

Terasen Gas Inc. and Terasen Gas (Vancouver Island) Inc. had previously filed, on May 28, 2008, their Energy Efficiency and Conservation Programs Application (the "EEC Application"). On June 20, 2008 by Order G-102-08 the Commission established a preliminary regulatory timetable to review the EEC Application. Subsequently, on September 18, 2008, by Order G-130-08, the Commission established a written hearing process ("EEC Proceeding") and regulatory timetable to review the EEC Application.

Order G-120-08 established a written hearing and regulatory timetable to review the Resource Plan. The Rental Owners and Managers Society of BC, British Columbia Hydro and Power Authority ("BC Hydro"), the Ministry of Energy Mines and Petroleum Resources, and the British Columbia Old Age Pensioners' Organization et. al. ("BCOAPO") registered as Intervenor in the proceeding.

On September 26, 2008, the Commission issued letter L-45-08 which stated that "...because the issues in the Resource Plan and the EEC Application are sufficiently distinct, it could approve the Resource Plan, except for EEC issues, subject to and in advance of a decision with respect to the EEC Application." (Exhibit A-3, p. 2) The Commission Panel therefore directed that all issues related to the EEC Application, including fuel switching, are to be dealt with exclusively in the EEC proceeding, and declined any adjustment to the regulatory timetable for the 2008 Resource Plan.

Consistent with the timetable established by Order G-120-08, Terasen filed responses to information requests from the Commission, BC Hydro and BCOAPO on September 30, 2008. Terasen filed its final submission on October 7, 2008. Intervenor, specifically BCOAPO and BC Hydro, filed their final submissions on October 16, 2008 and October 14, 2008, respectively. Terasen filed its reply submission on October 24, 2008.

BC Hydro's submission notes that it had filed intervenor evidence in the EEC proceeding supporting its view that the portion of the EEC expenditure targeting fuel switching from electricity to natural gas is not in the public interest at this time. BC Hydro also noted Commission letter L-45-08, which determined that Terasen's asserted regional approach to Greenhouse Gas ("GHG") emissions would be dealt with exclusively in the EEC proceeding. BC Hydro took no position on the remainder of the Resource Plan.

BCOAPO noted that Terasen's Resource Plan does not seek approval of any of the specific actions described in the Application. By way of comment BCOAPO suggested that it is "...inadvisable for a fossil fuel provider to file a long-term planning tool that ignores we now live in a country where aggressive conservation programs are or soon will be the norm and where non-GHG emitting fuel sources are preferred going forward." BCOAPO stated that it shares BC Hydro's concerns over Terasen's reliance on a solely regional analysis when evaluating GHG emissions.

BCOAPO further submitted that since Terasen filed its Resource Plan in June 2008, global economic circumstances have changed to an extent sufficient to require that the growth scenarios presented in the Resource Plan be reconsidered. BCOAPO submitted that, as opposed to the Reference Case presented in the Terasen Resource Plan, its "Low Growth" scenario is now a more appropriate reference case.

In addition, BCOAPO submitted that Terasen's reference case forecast projects an average annual growth rate of 0.7 percent due largely to increased population and economic growth, but that in response to information requests, Terasen indicated it has assumed population growth of 1.03 percent and customer growth that is 25 percent of population growth, which implies that population growth is responsible for an average annual increase of 0.258 percent. BCOAPO submitted that "...this discrepancy, combined with a likely low economic growth scenario and increased conservation efforts are cause to revisit the forecast projections and methodology." (BCOAPO Final Submission, p. 5)

BCOAPO also expressed concerns about the ability of the regional gas transmission systems in the Pacific Northwest to meet peak day demand, and commented that the Regional Infrastructure Conclusions and Recommendations do not appear to address the issue, should it arise before "the longer term".

Finally, BCOAPO expressed concerns about Terasen's Design Day Demand Methodology and, in particular, about the R-squared statistics reported for each of the separate regression equations and Terasen's multicollinear equation. BCOAPO submits that Terasen appears to have submitted "unadjusted R-squares" and requested that Terasen submit the adjusted R-squared statistics. BCOAPO also submitted that Terasen should be required to provide the variances of the parameter estimates and review the statistical methodology prior to filing its next resource plans.

In its Reply Submission, Terasen stated that the issues raised by BC Hydro are matters that must be addressed in the context of Terasen's EEC Application, and will be addressed there.

Regarding the BCOAPO comments, Terasen submitted in its Reply Submissions that it has examined GHG emissions from a provincial policy perspective as well as a regional perspective and that both of these perspectives are consistent and necessary. Terasen further argued that it is not a foregone conclusion that the low growth scenario for forecast gas demand is the most appropriate over the long term, and stated that it will continue to review and update its long-range forecast as new information becomes available "...primarily within the timeframes of its annual planning cycles." Terasen further submitted that Action Plan items within the Resource Plan address the issue of regional infrastructure capacity and identify specific solutions to alleviate the problem. Finally, Terasen submitted that it did use adjusted R-squared values, and that its current methodology is a reasonable way to estimate future design day demand.

Commission Panel Conclusions

Since Terasen is not requesting approval of any specific actions in its resource plan, it needs only to be accepted under section 44.1 of the amended *Utilities Commission Act* RSBC 1996 c.473 (“UCA”). Section 44.1(2)(b) establishes that a long-term resource plan must include “(b) a plan of how the public utility intends to reduce the demand referred to in paragraph (a) by taking cost-effective demand-side measures.” The Resource Plan addresses that requirement of the UCA in section 4, in large measure by reference to the EEC Application, which has been ordered to be heard separately.

With regard to the issues related to fuel switching and GHG emissions, both these issues have been made part of the EEC Application and will be considered then.

The forecasting issue raised by BCOAPO is not significant now because there are no actions required by the reference case forecast presented by Terasen, and a forecast lower than the reference case implies more time before system reinforcements are required. Finally Terasen’s design day forecast methodology has not been demonstrated to be incorrect in this proceeding nor has a superior method been proposed and, consequently, the Commission Panel is not prepared to direct any changes to it. However, if BCOAPO continues to have concerns about its accuracy, the Commission Panel is of the view that intervenors should be allowed the opportunity to raise the issue in the next Resource Plan filing or any other application where it is a factor, and would encourage them to submit evidence advocating an alternative approach they feel would be more appropriate.

Section 44.1(7) of the UCA states that the Commission may accept or reject a part of the public utility’s plan. Because the EEC issues are to be dealt with in the proceeding to review Terasen’s EEC Application, the Commission Panel accepts the Resource Plan for filing, except for Section 4 and those other parts of the Resource Plan that relate to the issue of Energy Efficiency and Conservation, including fuel switching and GHG emissions. A determination on those remaining issues will be made following the EEC Proceeding.