



IN THE MATTER OF

**TERASEN UTILITIES
(TERASEN GAS INC., TERASEN GAS (WHISTLER) INC.
AND TERASEN GAS (VANCOUVER ISLAND) INC.)**

2010 LONG TERM RESOURCE PLAN

DECISION

February 1, 2011

Before:

**D.A. Cote, Panel Chair/Commissioner
A.W.K. Anderson, Commissioner
L.A. O'Hara, Commissioner**

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EXECUTIVE SUMMARY

The Terasen Utilities filed an Application on July 15, 2010 for acceptance of the 2010 Long Term Resource Plan pursuant to section 44.1(6) of the *UCA*. The 2010 LTRP provides a high level examination of future demand and supply source expectations over the next 20 year period and outlines in broad terms the actions required over the next four year period to ensure the energy needs of customers are met over the long-term. In addition, the Application also covers the following:

- The changing British Columbia energy planning environment.
- Low and No-Carbon Initiatives.
- Energy Efficiency and Conservation-Demand Side Resources.
- Gas Supply and Regional Infrastructure Planning.

The Application was reviewed by way of a written hearing process.

In considering the Application, the Commission Panel must determine whether the requirements of section 44.1(2) of the *UCA* have been met. In addition, as required by section 44.1(8), consideration must be given to provisions related to British Columbia's energy objectives, the requirements of the *CEA*, demand side measures and public interest.

The Interveners as a group supported the Commission's acceptance of the 2010 LTRP. However, two Interveners, BCOAPO and the CEC did raise concerns with the plan with specific reference to its scope, its comprehensiveness and Terasen's lack of detail in describing how it will address the future. The Commission Panel was in agreement with these criticisms and identified them as an issue to be dealt with in the Decision. In addition, the issue of Terasen's New Initiatives and how they are most appropriately handled within a regulatory context was raised. The Panel is in agreement with the submissions of the parties and determined that this proceeding is not an appropriate venue to reach a determination on this matter. However, the Panel views the issue as sufficiently important to warrant further examination within this proceeding and direction as to how it may be addressed in the future.

The Commission Panel, after an assessment of the Application in terms of the requirements outlined in sections 44.1(2) and 44.1(8) of the *UCA* and the evidence before it, accepts the Terasen 2010 LTRP under section 44.1(6) of the *UCA* as being in the public interest.

In this Decision, the Panel comments on the quality of the 2010 LTRP and has made a number of directives concerning the preparation of future resource plans. These concern the following areas:

- The development of a longer term vision for Terasen Utilities.
- Integration of the EEC programs, New Initiatives and GHG reduction targets in demand forecasting.
- The approach to Demand forecasting given the new business environment.

An examination of Terasen's New Initiatives in terms of the regulatory questions raised, public interest concerns, competitive considerations and issues related to 'who pays' led to a Panel recommendation that the issues arising are sufficient to warrant a more formal process to address them at a future date.

1.0 INTRODUCTION

This Application is submitted by the Terasen Utilities, comprising Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc. and Terasen Gas (Whistler) Inc. (Terasen, the Company, Terasen Utilities) for acceptance of their 2010 Long Term Resource Plan (2010 LTRP) which covers a twenty-year period through 2030.

1.1 Application

Terasen provides natural gas service to more than 935,000 residential, commercial, and industrial customers in over 125 communities throughout British Columbia. Terasen Utilities are subsidiaries of Terasen Inc., which since May 2007 has been owned by Fortis Inc.

On July 15, 2010 Terasen submitted its 2010 LTRP to the British Columbia Utilities Commission (the Commission, BCUC) for review. Terasen Utilities filed the Application in accordance with the Commission's Resource Planning Guidelines (RP Guidelines) and are seeking acceptance of the 2010 LTRP pursuant to section 44.1 of the *Utilities Commission Act* (the *Act, UCA*). The previous plan, Terasen's 2008 Resource Plan, was accepted by Commission Order G-194-08.

The 2010 LTRP examines future demand and supply resource conditions over the next 20 years and recommends actions needed during the next four years to ensure customers' energy needs are met over the long-term. It also discusses the rapidly changing energy planning environment in British Columbia, the low carbon strategies of Terasen Utilities, the new demand forecasting activities, the need to seek additional and on-going funding approvals for the Company's Energy Efficiency and Conservation (EEC) programs as well as regional infrastructure issues.

Terasen points out that the activities of a fourth company, Terasen Energy Services (TES), also provide important background in planning for the future of Terasen Utilities. It appears that beginning 2010 Terasen Utilities have begun assuming the role previously played by TES in relation

to new projects. These activities include the development, construction and operation of alternative energy systems as well as setting of rates and cost recovery for those systems. (Exhibit B-1, p. 3)

1.2 Orders Sought

Terasen is seeking acceptance of the 2010 LTRP in accordance with section 44.1 of the *Act*. This section, entitled “Long-term resource and conservation planning”, is reproduced in its entirety in Appendix A. Specifically, the Company requests that the Commission, after reviewing the Application, finds that carrying out the 2010 LTRP is in the public interest and accepts it accordingly pursuant to s. 44.1(6) of the *Act*. The Commission’s public interest determination under s. 44.1(6) must also be guided by the criteria identified in s. 44.1(8), including the consideration of British Columbia’s energy objectives, whether the plan shows that the public utility intends to pursue adequate, cost-effective demand-side measures, and consideration of the interests of persons in British Columbia who receive or may receive service from the public utility.

While the 2010 LTRP submission includes five-year capital plans and descriptions of facility expansions, Terasen Utilities are not seeking approval of those capital plans at this time. Terasen states that each company will file separate CPCN applications, if and as necessary, for any of those projects in accordance with the Commission’s guidelines.

1.3 Regulatory Process

The Regulatory Process is described in detail in Appendix B. Five organizations registered as Interveners for the Application. They are:

- Ministry of Energy, Mines and Petroleum Resources
- British Columbia Hydro and Power Authority
- B.C. Sustainable Energy Association and the Sierra Club of British Columbia Chapter (BCSEA)

- British Columbia Old Age Pensioners' Organization *et al.* (BCOAPO)
- Commercial Energy Consumers' Association of British Columbia (CEC)

Among these BC Hydro, BCSEA, BCOAPO and the CEC, intervened by actively participating in some or all of the Processes.

Noteworthy is a question by a member of the Commission Panel during the Procedural Conference on September 21, 2010. The inquiry was about a statement made by the Company on page 186 of the Application: "Going forward, the utilities will seek approval of an overall business and regulatory model and seek CPCN approval of specific projects." (T1:7) This raised the issue of a need to better understand the view of Terasen with respect to the line separating regulatory and non-regulatory activities as the companies pursue what some might define as potentially competitive enterprises as opposed to those in a more traditional regulatory environment. By Order G-146-10 the Commission Panel requested submissions of the parties as to the need of a Second procedural Conference to address this topic. These submissions are summarized in Section 1.4.4 as they focus on the context in which the Panel has considered the 2010 LTRP.

1.4 Context

1.4.1 Resource Planning Guidelines

The Commission's mandate to direct and evaluate the resource plans of energy utilities is intended to facilitate the cost-effective delivery of secure and reliable energy services. In other words, resource planning aims at assisting the selection of cost-effective resources that yield the best overall outcome of expected impacts and risks for ratepayers in the long-term. The RP Guidelines provide general guidance regarding the Commission's expectations of the process and methods for utilities to follow in developing their plans that reflect their specific circumstances and include the following key phases and/or steps:

- Identification of the planning context and the objectives of a resource plan;

- Development of a range of gross pre Demand Side Management (DSM) demand forecasts;
- Identification of supply and demand resources;
- Measurement of supply and demand resources;
- Development of multiple resource portfolios;
- Evaluation and selection of resource portfolios;
- Development of an action plan;
- Stakeholder input;
- Regulatory input;
- Consideration of government policy; and
- Regulatory review.

Further, utility specific directions may address issues regarding the elements of the resource plan or the underlying methodology. The Commission reviews resource plans in the context of the unique circumstances of the utility in question.

1.4.2 New and Alternative Energy Solutions

The Company states that energy services which integrate low and no-carbon fuel technologies with conventional energy supply provide solutions to some of the province's most pressing challenges. These challenges include increasing demand for energy, escalating energy costs, carbon emissions, job creation and economic stability. In 2010 Terasen Utilities began integrating a range of alternative energy solutions and services into their core natural gas transportation and delivery business, while at the same time increasing expenditures on energy efficiency and conservation programs. Terasen states that in the context of the 2010 LTRP, alternative energy systems are those low and no carbon technologies that provide renewable thermal energy solutions for the end user; such as geo-exchange, waste heat recovery, solar thermal and combined heat and power as well the combination of any of these types of technologies with conventional energy services in discrete and district energy systems. In addition, Terasen is pursuing new low carbon initiatives and projects which are designed to reduce Greenhouse Gas (GHG) emissions. Terasen further

states that the 2010 LTRP “builds on those initial steps to transform Terasen Utilities into a complete, integrated energy provider of alternative energy solutions incorporating the reliability of conventional energy services.” (Exhibit B-1, p. E-1, p. 3, pp. 9-10)

1.4.3 Terasen Description of the 2010 LTRP

The Company submits that the 2010 LTRP is “a contextual document that considers the planning environment, including B.C.’s energy objectives, input from customers and other stakeholders with insight into the future needs of the utility and the issues Terasen Utilities must continue to monitor in order to continue serving customers in the most cost-effective, safe and reliable manner.”

Terasen further explains that the existence of other regulatory processes directly related to resource planning have influenced the scope of what can be efficiently addressed in the 2010 LTRP. Terasen Utilities cites Annual Contracting Plans, individual gas supply contracts, the Gas Supply Mitigation Incentive Plan and applications for EEC funding as examples of these processes.

Finally, Terasen submits that because a section 44.1 filing is a higher-level planning document, there is a need for further Commission consideration of key matters described in the 2010 LTRP, including the action plan. As an example, Terasen points out it can generally only proceed with significant capital projects once a CPCN has been obtained. Similarly, the low or no-carbon initiatives will also require Commission approvals. (Terasen Final Submission, p. 2)

1.4.4 Regulatory Construct

In response to Order G-146-10 Terasen submits “the Commission’s understandable desire to explore the issue of the scope of regulation in respect of these initiatives is most appropriately left to other processes to be concluded in the near future.” Terasen further submits that this would allow the 2010 LTRP process to be most efficiently and effectively addressed in a written process based on the existing record. Terasen provides the following reasons for its position:

- Each of the low-carbon initiatives is unique, and therefore is not conducive to a “one size fits all” determination in a section 44.1 proceeding devoted to high-level planning.
- The initiatives are, or will be in the immediate future, the subject matter of project specific proceedings that are more conducive to addressing regulatory issues of this nature.
- This approach is consistent with the Commission-approved Negotiated Settlement Agreement (NSA) in the recent Terasen Gas Inc. and Terasen Gas (Vancouver Island) Inc. 2010 and 2011 revenue requirements applications.

(Exhibit B-11, pp. 1-2)

BCOAPO submits that ultimately there will be a requirement for a holistic examination of the larger question of “what kinds of activity will properly reside with the utility, as markets, policy and rules regarding greenhouse gas-emitting hydrocarbon fuels develop” in the world of Terasen Utilities. However, BCOAPO further submits that because this Application “fails to provide a basis for the Commission to develop a meaningful handle on the fundamental questions facing it as the regulator of natural gas utilities” it would be premature to address this issue in the 2010 LTRP proceeding. (Exhibit C4-4, pp. 1-3)

BCSEA agrees with BCOAPO that the record in the 2010 LTRP proceeding is insufficient to support a high level examination of policy issues raised by the downstream, or “below the utility meter”, business opportunities that Terasen Utilities are now developing. (Exhibit C3-4, pp. 1-2)

1.5 Issues Arising

Terasen is seeking acceptance of its Long Term Resource Plan which it describes as “a point in time in the Terasen Utilities high level, dynamic, and ongoing planning process.” The Company notes that the process leading to this plan is not linear but iterative in nature with the final stage being the development of a four-year action plan which encompasses the implementation of the plan’s recommendations and ensures resource requirements and alternatives receive ongoing assessment.

Terasen submits that the 2010 LTRP has met the requirements of the *UCA* and is in the public interest. (Terasen Final Submission, p 1-2; Exhibit B-1, p. 1)

It is Terasen's position that resource planning is an ongoing process and subject to change as it responds to new events and information. Terasen states that this freedom is a necessity if it is to take action to ensure a supply which is safe, secure and reliable. The Company further states that acceptance of the 2010 LTRP does not commit the Commission to approving cost estimates for future applications which relate to projects or programs included in this plan. Due to the likelihood of new relevant evidence being brought forward in these applications, it is not essential that the Commission approve costs in a LTRP. (Exhibit B-5, BCUC 1.1.1)

The Interveners as a group are in support of the Commission accepting the 2010 LTRP. However, two of the stakeholders, BCOAPO and the CEC have expressed concerns with the plan in terms of its scope, its comprehensiveness and the lack of specific detail in describing plans to address the future. BCOAPO is critical of the quality of the plan and questions whether it fulfills the purpose of resource planning. BCOAPO further notes that the point of resource planning is for the parties to reflect on the utilities trajectory as it relates to emerging issues. This entails dealing with what it refers to as the "Big Question" concerning the lines of business utilities pursue and how they operate in the future. Moreover, it notes that the "Long Term Plan" appears to be a short term exercise and suggests the Commission provide guidance to Terasen with respect to the preparation of future resource plans. The CEC refers to Terasen's 2010 LTRP as "essentially business as usual with a tweak" and contends that overall the plan does not go far enough in creating change over the 20 year period. The CEC also submits that the level of resource planning considering provincial GHG targets will be inadequate in setting a base for the kind of response which will be required. Further, the CEC notes the four year Action Plan which addresses low or no carbon initiatives is very short term in perspective. The CEC submits there would be little value in asking Terasen to redo its resource plan but recommends the Commission request Terasen to show substantial improvement in its next LTRP. (BCOAPO Final Submission, pp. 1-3; CEC Final Submissions, pp. 4-6)

Taking into consideration these comments and the submissions from Interveners, as well as its review of the evidence submissions of Terasen, the Commission Panel has identified a number of issues which require more detailed examination. They are as follows:

1. The Adequacy and the Quality of the 2010 LTRP

The Commission Panel views the adequacy and the quality of the 2010 LTRP as two separate issues. The adequacy of the 2010 LTRP is very much a question in determining whether it should be accepted by the Commission. Primary considerations in reaching a determination on this include requirements of section 44.1 of the *UCA*, alignment with British Columbia's energy objectives and Provincial Government policy, the RP Guidelines and any previous directions provided by the Commission with respect to future resource plans.

Aside from any decision with regard to the adequacy of the LTRP is the consideration of its level of quality. Both BCOAPO and the CEC have expressed concerns with whether the plan is sufficiently robust and complete and whether it adequately addresses the future. The Panel has similar concerns and believes that a closer examination of this issue within this Decision will lead to improvements in future LTRP applications.

2. Understanding the Meaning of Acceptance

The Commission Panel notes that the meaning of "acceptance" of the 2010 LTRP is addressed by Terasen Utilities in a number of IR responses and in its Final Submission. However, we believe there would be a benefit in providing clarity to define exactly what is meant by "acceptance." Our concern lies in ensuring that the meaning of acceptance of this plan is understood and does not "tie the hands" of Panels in reviewing future applications related to many of the initiatives considered in this Application.

3. New Initiatives

As raised previously, there is a need to address the issue of how best to handle Terasen's move into what are non-traditional and potentially competitive business lines from a regulatory perspective.

This remains an issue with the BCOAPO which in its Final Submission stated that Terasen must deal with this “Big Question” if the resource planning exercise is to be meaningful. It further notes that if the issue is left to be answered on an *ad hoc* basis through one-off applications it will mean “missing the opportunity for a careful and systematic consideration of the complex regulatory issues embedded within it.” (BCOAPO Final Submission, p. 1) While the parties have agreed that this proceeding is not an appropriate place to reach a determination on this matter, it remains an issue worthy of further examination and some direction as to how it may be addressed in the future would be constructive.

This Decision will first address whether to accept or reject in whole or in part this Application. This will be covered in Section 2.0 which will also include the Panel’s consideration of what it views “acceptance” to mean and the implications. In Section 3.0 the Panel will address what it believes to be key issues arising from the Application. This will include a discussion of the 2010 LTRP and requirements for future resource plans as well as a discussion of the issues related to Terasen’s plans to move forward with initiatives in new business areas.

2.0 COMMISSION PANEL DECISION ON THE APPLICATION

In reaching its decision as to whether to accept Terasen’s 2010 LTRP, the Panel must determine whether the requirements of section 44.1 (2) of the UCA have been met. Further, in accordance with section 44.1 (8), the Panel must consider the provisions therein related to British Columbia’s energy objectives, requirements of the *Clean Energy Act (CEA)*, demand-side measures and public interest.

Finally, the Panel must consider the 2010 LTRP within the context of the RP Guidelines and the evidence presented by the Applicant and Interveners.

In assessing the 2010 LTRP in terms of its requirements and considering the British Columbia energy objectives and policy as well as the evidence before it, the Commission Panel accepts the Terasen 2010 LTRP under section 44.1 (6) of the UCA as being in the public interest.

2.1 UCA Section 41.1(2) Requirements

For a long term resource plan to be accepted it must satisfy the requirements of section 41.1(2) of the *UCA*. This section is provided in Appendix A and includes the following:

- A plan to reduce demand.
- Demand estimates both before and after taking into account demand-side measures.
- A description of new or extensions to existing facilities.
- Information regarding energy purchases.
- An explanation of why either energy purchases or facility requirements are not replaced by demand side measures.
- Any other information required by the Commission.

Throughout the proceedings Terasen Utilities has referred to the 2010 LTRP as a high level planning exercise. In keeping with this, the Company has broadly outlined the issues it is concerned about and its direction over the long term. Included are demand forecasts for the next twenty year period which take into account EEC measures which have been implemented to date. (Exhibit B-5, BCUC 1.15.1.1) While Terasen has developed scenarios based on future funding levels it has provided no detail to EEC measures beyond 2011. Further, Terasen has addressed the need for additional infrastructure requirements to adequately meet demand in the future as well as its intent to move forward with a number of low or no-carbon initiatives. The 2010 LTRP makes note of these in the 8-point action plan guiding activity over the next four year period. A number of these points will result in further applications which, when filed, will provide a description of the initiatives and their impact. (Exhibit B-1, pp. 185-188)

None of the Interveners raised concern with respect to whether the requirements of section 44.1(2) have been met.

The Commission Panel is satisfied that the 2010 LTRP as filed by Terasen is adequate to meet the requirements as laid out section 44.1(2) of the *UCA*. The Panel notes that additional detail on much of what is proposed will follow in subsequent filings. Accordingly, the Panel finds there is no reason to reject Terasen 2010 LTRP on the basis of failure to meet these requirements.

2.2 Resource Planning Guidelines

The purpose and key requirements for the development of long term resource plans have been outlined previously in Section 1.4.1. The RP Guidelines were developed in 2003 and predate much of the recent legislation and changes to the *UCA*. Nonetheless they are still relevant as they provide overall direction but are not prescriptive in mandating a specific outcome to the process or specific investment decisions.

It is apparent that Terasen Utilities took some guidance in the preparation of the LTRP from the RP Guidelines. However, it is also clear the 2010 LTRP which has been filed by Terasen does not incorporate the guideline requirements fully. Most notable by their absence are the following:

- The lack of a clear outline detailing the measurement of supply-side and demand-side resources against established objectives.
- The lack of development of multiple resource portfolios for each demand forecast and related assessment of alternative resource portfolios against various gross demand forecasts.

On the positive side, Terasen has identified the planning context and objectives of the resource plan, developed four year action plans and has invited stakeholder input as outlined in the guidelines. With respect to stakeholder input, the Panel is most encouraged by Terasen's intention to establish a Resource Plan Advisory Group as it may provide a sounding board and assist in the preparation of future plans.

The Commission Panel recognizes that the 2010 LTRP has been prepared at a high level and lacks detail. Further, Terasen admits that many of the New Initiatives included in the plan are not sufficiently developed to where they can be fully incorporated in the planning process. (Terasen Final Submission, p. 6) In addition, given the significant change and evolution of British Columbia's energy objectives and Provincial Government policy since the RP Guidelines were issued, a review and update of the guidelines is likely warranted. As a result, the Panel in considering these factors and the fact that Terasen did incorporate many elements of the RP Guidelines within its 2010 LTRP, sees no value in rejecting it based on its failure to incorporate all guideline elements.

2.3 UCA Section 41.1 (8) (a) and (b) Requirements

Section 44.1(8) of the *Act* outlines a number of provisions which must be considered by the Commission in reaching a decision as to whether to accept a long term resource plan. A discussion of each of these follows.

2.3.1 Alignment with British Columbia's Energy Objectives

The Panel finds that the Application is generally consistent with British Columbia's energy objectives as outlined in the *Clean Energy Act*. Section 2 of the *CEA* sets out British Columbia's energy objectives. Those most relevant to this proceeding include:

- (d) to use and foster the development in British Columbia of innovative technologies that support energy conservation and efficiency and the use of clean or renewable resources;
- (g) to reduce BC greenhouse gas emissions
 - (i) by 2012 and for each subsequent calendar year to at least 6% less than the level of those emissions in 2007,
 - (ii) by 2016 and for each subsequent calendar year to at least 18% less than the level of those emissions in 2007,
 - (iii) by 2020 and for each subsequent calendar year to at least 33% less than the level of those emissions in 2007,
 - (iv) by 2050 and for each subsequent calendar year to at least 80% less than the level of those emissions in 2007, and
 - (v) by such other amounts as determined under the *Greenhouse Gas Reduction Targets Act*;

- (h) to encourage the switching from one kind of energy source or use to another that decreases greenhouse gas emissions in British Columbia;
- (i) to encourage communities to reduce greenhouse gas emissions and use energy efficiently;
- (j) to reduce waste by encouraging the use of waste heat, biogas and biomass;
- (k) to encourage economic development and the creation and retention of jobs;

Terasen speaks to these objectives within the 2010 LTRP. Further, the Company has provided a table summarizing how a number of initiatives it is undertaking within the plan are supported by British Columbia's energy objectives (Appendix C).

With reference to this table and its contents, the BCSEA-SCBC notes that the list of energy objectives is accurate and the 2010 LTRP is consistent with the "government's energy objectives." (BCSEA-SCBC Final Submission, p.4) The CEC indicates its desire to draw attention to British Columbia's energy objective 2 (g) which outlines reductions in GHG emissions over a 40 year timeline. The CEC's position is that Terasen's response to these objectives is confined to EEC programs and low and no-carbon initiatives which it believes "will be insufficient to see the province achieve anywhere close to the energy objectives." The CEC notes that the achievement of these GHG targets will require dramatic change over the next 20 years and, while these initiatives represent a good start, they do not provide an adequate basis for the nature and scale of activities required to contribute significantly to the energy objectives. In its view, the modest change of plus or minus 20 PJ in demand over the 20 year planning horizon will not approach the scale necessary to meet provincial objectives. Further, the CEC submits that "resource planning which does not show a full response to the scale of provincially legislated objectives is deficient." (CEC Final Submission, pp 3-5)

In Reply Terasen Utilities note that the GHG reduction targets outlined in British Columbia's energy objectives are for the province as a whole and points out that no specific sector allocations have been made. Additionally, the Company points out that the 20-year demand forecast within the 2010 LTRP does not take into account additional EEC program funding beyond that which is currently approved. It states that it plans to seek expanded EEC funding for 2012 and, as a result,

the current forecast does not include the full impact of Terasen EEC programs for 2012 and beyond. (Terasen Reply, p. 4)

The Commission Panel accepts the view of Terasen Utilities with respect to the lack of sector specific allocations for GHG targets and that its demand forecasts have not included the impact of additional EEC program funding. However, we are disappointed that Terasen did not broaden its scenario options and, more importantly, provide more detailed information in preparing its alternative future scenarios. The purpose of resource planning is, in part, to create a better understanding of how the actions which are being taken in the present and over the medium term will impact the long term future. To limit the number of scenarios and details related to each reduces the usefulness of the 2010 LTRP as a tool designed to further understanding. Therefore, the Panel, while finding that the 2010 LTRP is consistent with British Columbia's energy objectives notes that the opportunity to create further understanding and perhaps debate over a key component of the plan has not been explored.

2.3.2 Requirements Under Sections 6 and 19 of the Clean Energy Act

Sections 6 and 19 of the *CEA* apply to electric utilities only and accordingly are not relevant to this Application.

2.3.3 Adequate, Cost-Effective Demand-Side Measures

Section 44.1(8) (c) requires the Commission to consider whether the LTRP demonstrates an intention to pursue adequate, cost-effective demand-side measures. The Demand-Side Measures Regulation, B.C. Reg. 326/2008 provides direction as to what is required and is listed in its entirety in Appendix D.

Terasen states that EEC programs are an integral part of its drive to meet the province's current and future energy needs and ensure the efficient use of natural gas. In April, 2009 the Commission approved funding for Terasen Utilities of \$41.5 million for EEC activities through the end of 2010.

This was added to in the 2010-2011 Revenue Requirements Negotiated Settlement Agreement which increased the total funding to \$72.3 million through the end of 2011. Terasen reports in its 2009 EEC Annual Report that the 2009 EEC activities were cost-effective and had a Total Resource Cost ratio of 1.2.

Terasen also reports it was conducting a Conservation Potential Review (CPR) in late 2010. The purpose of the CPR is to determine potential for EEC emissions savings from its customer base. Terasen states that it plans to submit a request for on-going funding beyond 2011 for all Terasen Utilities in its 2012 Revenue Requirement Application.

In the 2010 LTRP three EEC scenarios have been outlined. Each reflects a different funding level and resulting impact on natural gas and GHG savings. Terasen is careful to note that the scenarios have been developed using the best available data but are subject to change once the CPR results are available. Terasen explains that the funding and resulting savings amounts outlined in the Application are not targets but have been “presented to illustrate a range of EEC funding scenarios” since the full analysis required to make a formal EEC funding application is not yet complete. (Exhibit B-1, pp.115-123; Exhibit B-2, BCUC 1.38.1)

The CEC submits that a key element for EEC resource planning is the available funding for programs and the ability to plan and carry them out over multi-year time frames to achieve the market transformation being sought by Terasen Utilities. The CEC is concerned that EEC activity in the resource plan is confined to scenarios A, B and C and does not consider “the market transformation options and potentials related, particularly to markets in which Terasen is already well versed.” The CEC further submits that the 2010 LTRP is less robust than it could be if the EEC programs and activities were planned as multi-year undertakings to achieve market transformations working with governments and stakeholder associations to achieve efficiencies, reduced use and GHG reductions. Having made the above observations the CEC recommends that “the Commission accept the Terasen Long Term Resource Plan, with reservations regarding the adequacy of the EEC component of the plans.” (CEC Submission, pp. 12-13)

The Terasen 2010 LTRP provides little detail to assist in the assessment of whether the EEC measures it will undertake in the future are adequate and cost effective. This is because there is much work to be completed in advance of the formal EEC funding request which will accompany 2012 RRA to be filed later this year. The Commission Panel understands that this program is in the initial stages and limited results are available to permit a comprehensive assessment of the program to date. However, we are satisfied sufficient information has been presented to support the view that Terasen intends to pursue adequate, cost effective demand-side measures. Firstly, the Company has indicated that when the required analytical work for future EEC funding has been completed it will include measures for low income housing, rental accommodations and student education in its service area which are the key requirements for program adequacy. Secondly, while the cost effectiveness of planned EEC measures cannot be validated, the fact that only “acceptance” of the LTRP is sought will require Terasen to address this when a detailed funding request is filed. Accordingly, the Commission Panel sees no reason to reject Terasen’s EEC measures due to a failure to be adequate or cost effective.

In conclusion, the Panel again notes its concern with respect to the lack of detail on EEC plans available for consideration at this time.

2.3.4 Consideration of the Interests of Persons in British Columbia

The Commission Panel considers acceptance of the 2010 LTRP to be in the interest of British Columbians who receive or may receive service from Terasen Utilities. In our view the 2010 LTRP is adequate to meet the requirements as laid out in section 44.1 (2) of the *UCA*, has adequately considered the Resource Planning Guidelines and has adequately met the provisions for consideration as laid out in section 44.1 (8) of the *Act*. In reaching this conclusion the Panel notes that acceptance of the 2010 LTRP does not constitute approval of any of the programs or initiatives addressed within the plan.

2.4 Commission Panel Observations

As noted previously, the Interveners as a group were in support of the Commission accepting the Terasen 2010 LTRP. However, in providing this support some reservations were expressed with the plan in terms of its content, scope, completeness and the level of detail. In addition, some of the Interveners had recommendations as to ways in which future long term resource plans could be improved.

The Commission Panel in accepting the 2010 LTRP would like to be clear that in its view the plan is adequate only and it agrees with the Interveners that there are many areas which could be improved upon in future resource plan submissions. In the view of the Panel, the long term resource plan is an integral part of the strategic planning process. If prepared in sufficient scope and detail it will provide a solid framework upon which to base future decision making. In providing a more robust LTRP, Terasen will provide the stakeholders the opportunity to conduct a more meaningful examination of the longer term future. In addition, the plan will be useful in supporting initiatives which flow from it.

The Panel observes that the lack of a more robust and complete LTRP may present challenges to Terasen in persuading the Commission that future applications are appropriate in the absence of longer term visions, strategies and resource requirement for the utilities. It may become increasingly difficult for the Commission to favourably consider one-off applications without the benefit of a much more comprehensive LTRP.

Section 3.1 which follows will examine the 2010 LTRP and Intervener comments in some detail and provide some recommendations with respect to future submissions. The Panel believes that these recommendations along with the stated intention of Terasen Utilities to setup a Resource Plan Advisory Group will be helpful in promoting further development of the long term planning process. In addition, in Section 3.2 the Panel will address Terasen's new business initiatives and their implications. Before proceeding we would first like to examine the matter of acceptance of the 2010 LTRP and what it means from the perspective of the Commission.

2.5 What Acceptance of the Plan Means

Terasen Utilities in its Final Submission states that it is not seeking approval of any specific initiatives in the 2010 LTRP. As previously outlined, it is the Company's intent to bring forward applications for programs, projects and initiatives outlined in the 2010 LTRP when they are completed utilizing an appropriate regulatory process. In answer to various IRs Terasen has been direct and unequivocal in stating that the acceptance of its 2010 LTRP under section 41.1(6) of the *UCA* in no way commits the Commission to approval of any program or initiative which might have been outlined in the resource planning process. In support of this, Terasen in answer to BCUC IR 1.1 states that unless the Commission were to exercise its jurisdiction under section 44.1(7) of the *UCA* "the acceptance of the LTRP does not commit the Commission to approve cost estimates in future applications which may rely on plans recommended in the LTRP..." Terasen makes similar statements in its response to BCUC IR 1.56.1 and again in BCUC IR 1.8.1. Worthy of note, however, is the caveat introduced in its response to BCUC IR 1.1 where Terasen states that acceptance of a LTRP "may be relevant and persuasive depending on the matter at issue and arbitrarily inconsistent decisions are not expected."

The Commission Panel agrees with Terasen's interpretation that acceptance of its 2010 LTRP does not commit the Commission to approve future applications once they are filed. We acknowledge the Company's efforts to keep the more strategic higher level resource planning process separate from the approval process related to programs and initiatives. In addition, for clarity purposes the Panel would like to point out our understanding of acceptance includes the following:

- The programs and initiatives outlined in the plan which seem reasonable at a high level are not sufficiently "fleshed out" to determine whether they will pass careful scrutiny when more detail is put forward and an application filed.
- A number of the new initiatives represent a new direction for Terasen and additional process may be required to determine how these new ventures will fit within the context of a regulated utility.

- After further analysis Terasen at its discretion may decide to not move forward with some initiatives outlined in the plan.

3.0 DISCUSSION OF ISSUES ARISING

3.1 Quality of the 2010 LTRP

In Section 2.0 the Commission Panel determined that acceptance of the Terasen Utilities 2010 LTRP is in the public interest. In making this determination, the Panel noted that the 2010 LTRP was in its view adequate only and there were a number of areas which could be improved upon in future resource plan submissions.

Among the Interveners, both the CEC and BCOAPO have expressed concerns with respect to the 2010 LTRP.

The CEC submits that there are numerous items which have not been factored into Terasen's capital and supply plans over the 20 year planning time frame. These result in the Company failing to undertake a broader integrated and consolidated view of the issues facing it and the initiatives it may be considering. In addition, the CEC notes that Terasen's resource plan fails to "lay sufficient ground work for the nature and scale of the activities which would be required to contribute significantly to the BC Energy Objectives." (CEC Final Submission, pp. 2-4) The CEC makes the following recommendations with respect to inclusions in future plans:

- Scenarios which include a full 20 year response to the British Columbia's energy objectives with particular regard to GHG emission reduction planning.
- Development of a practical number of scenarios related to GHG reduction, electricity and fuel pricing, fuel switching and technology development to allow Terasen to demonstrate its response to varying circumstances.
- Scenarios covering the transformation of trucking markets in BC to natural gas which would include analysis of and impact on the government's objectives for GHG reduction.
- With respect to EEC funding to address key market transformations to be considered for long term funding based on the requirements necessary to achieve the desired result.

- To broaden its resource planning to cover the full 20 year time-frame and examine alternatives to defray system upgrade costs. Referring to this the CEC submits that among the alternatives consideration should be given to targeted EEC programs where the result might be the deferral of capital expenditures due to conservation and efficiency improvements.

(CEC Final Submission, pp. 6, 8, 11, 13 and 14)

BCOAPO, in addition to raising concerns as to the need to address what it terms to be the “big question,” makes the observation that given the sector is facing dramatic transformation, the 2010 LTRP projects minimal consideration of the changes which might be expected over the 20 year period covered by the plan. It is BCOAPO’s position that an aim of the plan is to provide a roadmap for the evolution and direction of Terasen in future years. Aside from suggesting that Terasen Utilities may wish to consider a more robust econometric forecasting approach, BCOAPO provides little specific comment on how the plan can be improved. (BCOAPO Final Submission, pp. 1-3)

Terasen in Reply notes that the purpose and scope of the resource planning process is found in section 44.1 of the *UCA* and the Commission’s Resource Planning Guidelines. Additionally, the Company submits that the focus for the 2010 LTRP is on forecasted demand and its plans to meet that demand through resource acquisition and demand-side measures. Terasen’s position is that while long-term resource planning may support or provide context for planned initiatives, it does not replace the need for individual *UCA* approvals allowing them to move forward. With respect to the CEC’s specific recommendations, Terasen notes that many of the requests for further analysis are in process and points to its answer to the CEC 2.1.1 as supporting this. Further, it sees no need for the econometric forecasting approach suggested by BCOAPO. On a final note Terasen Utilities support the value of scenario analysis but express the need to limit the types of analysis as a practical matter. (Terasen Reply, pp. 1-6)

Commission Panel Directives

As stated previously by the Panel, the 2010 LTRP, while accepted, is viewed as being just adequate. It falls short of our expectation that resource plans should provide a comprehensive 20 year view of a utilities trajectory and provide a strong support for programs and initiatives which will be filed with the Commission. The Panel is also disappointed that there was no attempt to describe a vision of Terasen Utilities 15-20 years from now. Adding this sense of vision completes the picture of how the actions being undertaken in the near future in combination with plans in an early stage of development will create the Terasen of tomorrow. In this way Terasen can demonstrate it is capable of meeting the challenges presented by British Columbia's energy objectives and evolving government policy.

The foundation of any planning exercise is the analysis which is conducted to better understand the issues and challenges arising or anticipated to arise in the coming years. This is often supported by the development of well crafted scenarios outlining in detail a potential outcome or series of outcomes. The CEC has pointed out in its recommendations that Terasen would benefit from additional work in this area. Its concern is the limited number of scenarios and lack of detail for each falls short of providing a clear picture of the impact of the challenges faced by the Company and how its plans will assist in meeting these challenges. The Panel agrees with the CEC on this matter.

The Commission Panel has considered this and the balance of evidence in developing a series of directives for the next resource planning exercise. We believe these will provide some guidance in moving this process forward. Accordingly, pursuant to section 44.1(2) (g) of the *UCA*, the Panel directs the following be included in the next LTRP:

1. Terasen Utilities – A 20 Year Vision

This vision could describe what Terasen may look like in the future: its business lines, its customers, the expectations for supply and demand and the major issues it will deal with over the 20 year resource plan timeframe.

Areas which are appropriate to be covered in preparing this Vision include but are not limited to the following:

- The extent to which markets will be transformed.
- The extent to which Terasen can contribute to overall British Columbia GHG reduction objectives.
- The impact the Company's contributions to GHG reduction will have on demand.
- The importance new technology and new initiatives will have on the overall business, and their significance in terms of percentage share of its traditional business.
- An outline of what initiatives are currently planned or being considered and the status.
- The impact Terasen's efforts have, and expect to have, on meeting British Columbia's energy objectives.
- The key drivers impacting the need and timing for human, physical and other (information technology, capital etc.) resource requirements.

2. GHG Reduction Targets – EEC Planning and Impacts of New Initiatives

In respect of GHG reduction targets as impacted by EEC Planning and New Initiatives the Commission Panel directs future LTRPs to include the following:

- 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.
- Greater coordination between EEC planning and the development of future resource plans. This will allow for a more detailed presentation of future EEC programs over a longer time period with expected impacts to be included as part of the LTRP process.
- Development of a limited number of scenarios detailing the impacts of varying degrees of EEC Planning measures on the demand forecast and GHG emission reductions.
- An outline of the impact of the implementation of New Initiatives on the demand forecast and GHG emission reductions.

3. New Business Environment and Approach to Demand Forecasting

Future LTRPs need to more adequately convey Terasen Utilities' understanding of the new energy and business environment, its impact on gross demand and how resource plans will be reflective of future demand growth. Accordingly, Terasen is directed to include the following in future resource plans.

- A description of the new end-use forecasting methodology, how it compares with Terasen's traditional demand forecasting approach, and reconciliation of the results of the two different approaches.
- The development of a most likely or reference case demand forecast and outline of the underlying assumptions taking into account potential legislative, regulatory or market transformation changes.
- An integration of the reference case demand forecast with the EEC scenarios and a description of the impacts.
- A detailed outline of New Initiatives and their impact on future demand and GHG reduction targets backed by rigorous analysis of potential scenarios.
- A description of the impact of each scenario on future resource requirements with consideration of the variables which could further affect these scenarios.

Finally, Terasen is directed to provide an estimate of the extent to which its proposed programs and initiatives will contribute to the achievement of British Columbia's energy objectives.

3.2 New Initiatives

In Section 1.0 the Commission Panel identified Terasens' low and no-carbon initiatives (New Initiatives) as one of the prominent issues of the 2010 LTRP and acknowledged the Interveners' ultimate concern as to what lines of businesses and regulatory constructs the Utilities will pursue in the future. The Panel also noted the agreement among parties that this proceeding is not the appropriate forum for a systematic consideration of various, complex regulatory issues embedded in these new ventures. In Section 2.0 the Commission Panel accepted the 2010 LTRP but qualified this acceptance in the case of New Initiatives by stating that "additional process may be required to determine how these new ventures will fit within the context of a regulated utility."

Terasen Utilities state that they are pursuing integrated energy solutions through three approaches:

- Integrated energy systems to encourage use of renewable and low-carbon thermal technologies for homes, businesses and institutional facilities (the built environment);
- Natural gas vehicles to promote natural gas as a low carbon transportation fuel alternative to diesel and gasoline; and
- The development of carbon neutral biomethane to displace conventional natural gas for homes, businesses and potentially in vehicles.

(Exhibit B-1, p. 52)

Terasen submits that these New Initiatives are all regulated services and "in the public interest for Terasen Utilities to pursue." Terasen acknowledges, however, that it is appropriate for the Commission to deal with the legal issue as to the extent to which New Initiatives are regulated public utility services, along with other initiative-specific considerations, in the other proceedings addressing the specific initiatives. (Terasen Argument, pp. 6-7)

A fundamental concern of the Panel is how the Commission, as the regulator of public utilities in British Columbia can oversee the evolution of a traditional utility in the new *Clean Energy Act* environment from the regulatory standpoint. The Panel concurs with the views of the Interveners, especially BCOAPO, which were highlighted in Section 1.0. If the issue of evolution of New Initiatives and the related business models is left to be answered on an *ad hoc* basis through one-off applications, as suggested by Terasen, the Commission and Interested Parties would miss the opportunity for a comprehensive and systematic consideration of complex regulatory issues embedded in the New Initiative applications. This subject is further discussed below.

Regulatory Questions

When New Initiatives involve a movement away from traditional utility services, issues concerning matters such as business risk, risk premiums, stranded assets, “who pays for what,” and applicability of EEC funding emerge. There may be a requirement for a template or framework within which individual projects and applications can be developed. While Terasen submits that each situation is different and therefore requires its own unique approach, the Panel believes that perhaps each ‘unique situation’ needs to be tailored within a regulatory policy framework to be determined after a more holistic review.

Competitive Business vs. Regulated Public Utility

As Terasen Utilities adapts to changes in the new policy environment by diversifying into new low and no-carbon business ventures the question also arises as to which activities in the “new world” belong under the umbrella of a regulated utility. Is there a risk of unfair advantage enjoyed by the utility which could undermine creation of new competitive enterprises? Is there also a risk of other unintended consequences which are not evident today but may surface in the near term as the New Initiatives evolve?

Utilities Commission Act

The Commission makes determinations regarding rates pursuant to sections 58 to 61 of the *UCA* and must ensure that an application or agreement places fundamentally no greater or less risk on the ratepayer at large than other rates. In this regard, the Commission Panel remains to be persuaded that the public interest is served by placing some of the costs and risks related to New Initiatives on the traditional ratepayer. An example of this challenge is the recent Biomethane Decision (Order G-194-10) which allowed Terasen move forward with the Biomethane Program on a test basis only for a two year period.

British Columbia Legislation

British Columbia enacted legislation designed to promote carbon reduction and the reduction of GHG's. The New Initiatives introduced by Terasen are generally in keeping with BC legislation and government policy. However, the *UCA* is silent on specific provisions for the 'who pays' question regarding carbon and GHG reduction related initiatives. Questions therefore arise as to whether rate payers are subsidising new ventures which may receive a capital contribution from EEC funding and whether such funding is any different than other EEC subsidies such as incentive payments for fuel switching, high efficiency furnace replacements etc.

Future Process

The Commission Panel considers that the issues raised above are beyond the scope of the 2010 LTRP and are therefore not further addressed in this Decision. However, the Panel believes that the changes being contemplated and the issues arising from them are significant enough to warrant a formal process to address them at a future date in the not too distant future.

DATED at the City of Vancouver, in the Province of British Columbia, this *First* day of February 2011.

Original signed by:

DENNIS A. COTE
PANEL CHAIR/COMMISSIONER

Original signed by:

LIISA A. O'HARA
COMMISSIONER

Original signed by:

A.W. KEITH ANDERSON
COMMISSIONER



**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER G-14-11**

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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.
2010 Long Term Resource Plan

BEFORE: D.A. Cote, Panel Chair/Commissioner
A.W.K. Anderson Commissioner February 1, 2011
L.A. O'Hara, Commissioner

ORDER

WHEREAS:

- A. On July 15, 2010 Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc. and Terasen Gas (Whistler) Inc. (collectively Terasen Utilities) filed their 2010 Long Term Resource Plan (2010 LTRP; or Application) in accordance with section 44.1 of the *Utilities Commission Act* (the Act) and the British Columbia Utilities Commission's (the Commission) Resource Planning Guidelines;
- B. The Application seeks acceptance of the 2010 LTRP pursuant to section 44.1(6) of the Act and, among other items, examines future demand and supply resource conditions over the next 20 years and recommends actions needed during the next four years to ensure customers' energy needs are met over the long term. Terasen Utilities does not seek approval of any particular elements of the plan;
- C. On August 4, 2010, the Commission issued Order G-124-10 initiating a regulatory review process that included a Procedural Conference on September 21, 2010 and two rounds of Information Requests;
- D. Following the Procedural Conference held on September 21, 2010, Order G-146-10 was issued on September 24, 2010 and established an Amended Regulatory Timetable, which provided for (a) a schedule for all Parties to make submissions on the need for a Second Procedural Conference, (b) a Default Schedule for a Written Hearing without the provision of a Second Procedural Conference and (c) an Alternative Schedule for a Written Hearing with the provision for a Second Procedural Conference;
- E. Following the Commission Panels' consideration of the submissions of the Parties with respect to the need for a second Procedural Conference, Commission Order G-169 established that the regulatory review of the 2010 LTRP will proceed as a Written Hearing in accordance with the Default Schedule in the Amended Regulatory Timetable attached to Order G-146-10;

**BRITISH COLUMBIA
UTILITIES COMMISSION**

**ORDER
NUMBER** G-14-11

2

F. The Commission Panel has reviewed the Application, the evidence and the submissions and concludes that acceptance of the 2010 LTRP is in the public interest.

NOW THEREFORE the Commission orders that the 2010 LTRP is accepted. Terasen Utilities is to comply with the directives contained in the Decision, issued concurrently with this Order, when filing its next long term resource plan.

DATED at the City of Vancouver, in the Province of British Columbia, this *First* day of February 2011.

BY ORDER

Original signed by:

D.A. Cote
Panel Chair/Commissioner

Utilities Commission Act Section 44.1

Long-term resource and conservation planning

44.1 (1) [Repealed 2010-22-65.]

(2) Subject to subsection (4), a public utility must file with the commission, in the form and at the times the commission requires, a long-term resource plan including all of the following:

- (a) an estimate of the demand for energy the public utility would expect to serve if the public utility does not take new demand-side measures during the period addressed by the plan;
- (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;
- (c) an estimate of the demand for energy that the public utility expects to serve after it has taken cost-effective demand-side measures;
- (d) a description of the facilities that the public utility intends to construct or extend in order to serve the estimated demand referred to in paragraph (c);
- (e) information regarding the energy purchases from other persons that the public utility intends to make in order to serve the estimated demand referred to in paragraph (c);
- (f) an explanation of why the demand for energy to be served by the facilities referred to in paragraph (d) and the purchases referred to in paragraph (e) are not planned to be replaced by demand-side measures;
- (g) any other information required by the commission.

(3) The commission may exempt a public utility from the requirement to include in a long-term resource plan filed under subsection (2) any of the information referred to in paragraphs (a) to (f) of that subsection if the commission is satisfied that the information is not applicable with respect to the nature of the service provided by the public utility

(4) [Repealed 2010-22-65.]

(5) The commission may establish a process to review long-term resource plans filed under subsection (2).

(6) After reviewing a long-term resource plan filed under subsection (2), the commission must

- (a) accept the plan, if the commission determines that carrying out the plan would be in the public interest, or
- (b) reject the plan.

(7) The commission may accept or reject, under subsection (6), a part of a public utility's plan, and, if the commission rejects a part of a plan,

- (a) the public utility may resubmit the part within a time specified by the commission, and

(b) the commission may accept or reject, under subsection (6), the part resubmitted under paragraph (a) of this subsection.

(8) In determining under subsection (6) whether to accept a long-term resource plan, the commission must consider

(a) the applicable of British Columbia's energy objectives,

(b) the extent to which the plan is consistent with the applicable requirements under sections 6 and 19 of the *Clean Energy Act*,

(c) whether the plan shows that the public utility intends to pursue adequate, cost-effective demand-side measures, and

(d) the interests of persons in British Columbia who receive or may receive service from the public utility.

(9) In accepting under subsection (6) a long-term resource plan, or part of a plan, the commission may do one or both of the following:

(a) order that a proposed utility plant or system, or extension of either, referred to in the accepted plan or the part is exempt from the operation of section 45 (1);

(b) order that, despite section 75, a matter the commission considers to be adequately addressed in the accepted plan or the part is to be considered as conclusively determined for the purposes of any hearing or proceeding to be conducted by the commission under this Act, other than a hearing or proceeding for the purposes of section 99.

THE REGULATORY PROCESS

ACTION	DATE (2010)
Intervener Registration Deadline	September 14
Procedural Conference	September 21
Commission Information Request No. 1	September 22
Intervener Information Requests No. 1	September 28
Terasen Utilities Responses to Information Requests No. 1	October 18
Commission and Intervener Information Requests No. 2	October 28
Terasen Utilities Responses to Information Requests No. 2	November 8
Submissions on the Need for a Second Procedural Conference	November 10
Terasen Utilities Final Argument	November 16
Intervenors' Final Arguments	November 30
Terasen Utilities Reply	December 10

The Commission received Final Arguments from BCOAPO, BCSEA and the CEC.

Terasen Utilities addressed the Intervenor Arguments in its Reply on December 10, 2010.

2010 LONG TERM RESOURCE PLAN AND BRITISH COLUMBIA'S ENERGY OBJECTIVES

Energy Objective	2010 LTRP
To take demand-side measures and to conserve energy (section 2(b) of the CEA)	The Terasen Utilities plan to use existing EEC funding and file for approval of ongoing and expanded funding post-2012 after the necessary analytic and planning work is complete. ¹⁸
To use and foster the development in British Columbia of innovative technologies that support energy conservation and efficiency and the use of clean or renewable resources (section 2(d) of the CEA)	<p>The Terasen Utilities will be implementing an innovative technologies EEC program in late 2010 that supports energy conservation and efficiency.¹⁹</p> <p>The Terasen Utilities low- and no-carbon initiatives also support this objective.²⁰</p>
To reduce BC greenhouse gas emissions (section 2(g) of the CEA)	<p>The Terasen's EEC programs and plans to seek approval for and implement ongoing and expanded funding would reduce GHG emissions by reducing use of natural gas.²¹</p> <p>The Terasen Utilities low or no-carbon initiatives would also reduce GHG emissions.²²</p>
To encourage the switching from one kind of energy source or use to another that decreases greenhouse gas emissions in British Columbia (section 2(h) of the CEA)	The Terasen Utilities EEC programming currently includes high to low carbon fuel switch activities. ²³ The Terasen Utilities NGV EEC program ²⁴ and NGV service initiatives ²⁵ would encourage the switching from diesel and gasoline to NGV, which would decrease greenhouse emissions in B.C.
To encourage communities to reduce greenhouse gas emissions and use energy efficiently (section 2(i) of the CEA)	<p>The Terasen Utilities existing and planned EEC programs would encourage communities to reduce GHG emissions and use energy efficiently.²⁶</p> <p>The Terasen Utilities low- and no-carbon initiatives also support this objective.²⁷</p>
To reduce waste by encouraging the use of waste heat, biogas and biomass (section 2(j) of the CEA)	The Terasen Utilities innovative technologies EEC program ²⁸ and AES and biogas initiatives ²⁹ would reduce waste by encouraging the use of waste heat, biogas and biomass.
To encourage economic development and the creation and retention of jobs (section 2(k) of the CEA)	The implementation of the Terasen Utilities EEC programs and capital plans would encourage development and the creation and retention of jobs. ³⁰
To foster the development of first nation and rural communities through the use and development of clean or renewable resources (section 2(l) of the CEA).	As part of the implementation of the Terasen Utilities EEC programs, training for skills and energy efficiency improvements for rural industry and businesses will help foster the development of First Nations and Rural Communities. ³¹

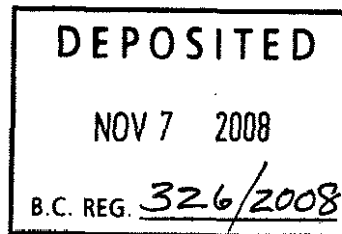
Source: Terasen Utilities Final Submission, pp. 7-8

**PROVINCE OF BRITISH COLUMBIA
REGULATION OF THE MINISTER OF
ENERGY, MINES AND PETROLEUM RESOURCES**

Ministerial Order No.

M 271

I, Richard Neufeld, Minister of Energy, Mines and Petroleum Resources, order that the attached regulation is made.



Richard Neufeld
Date

November 6, 2008
Minister of Energy, Mines and
Petroleum Resources

(This part is for administrative purposes only and is not part of the Order.)

Authority under which Order is made:

Act and section:- Utilities Commission Act, R.S.B.C. 1996, c. 473, s. 125.1 (4) (e)

Other (specify):- _____

November 3, 2008

R/1175/2008/27

DEMAND-SIDE MEASURES REGULATION

Definitions

1 In this regulation:

“Act” means the *Utilities Commission Act*;

“bulk electricity purchaser” means a public utility that purchases electricity from the authority for resale to the public utility’s customers;

“community engagement program” means a program delivered by

(a) a public utility to a public entity either

(i) to increase the public entity’s awareness about ways to increase energy conservation and energy efficiency or to encourage the public entity to conserve energy or use energy efficiently, or

(ii) to assist the public entity to increase the public’s awareness about ways to increase energy conservation and energy efficiency or to encourage the public to conserve energy or use energy efficiently, or

(b) a public utility in cooperation with a public entity to increase the public’s awareness about ways to increase energy conservation and energy efficiency or to encourage the public to conserve energy or use energy efficiently;

“education program” means an education program about energy conservation and efficiency, and includes the funding of the development of such a program;

“energy device” has the same meaning as in the *Energy Efficiency Act*;

“energy efficiency training” means training for persons who

(a) manufacture, sell or install energy-efficient products,

(b) design, construct or act as a real estate broker with respect to energy-efficient buildings,

(c) manage energy systems in buildings, or

(d) conduct energy efficiency audits;

“energy-using product” has the same meaning as in the *Energy Efficiency Act* (Canada);

“expenditure portfolio” means the class of demand-side measures that is composed of all of the demand-side measures proposed by a public utility in an expenditure schedule submitted under section 44.2 of the Act;

“low-income household” means a household whose residents receive service from the public utility and who have, in a taxation year, a before-tax annual household income equal to or less than the low-income cut off established by Statistics Canada for that year for households of that type;

“plan portfolio” means the class of demand-side measures that is composed of all of the demand-side measures proposed by a public utility in a plan submitted under section 44.1 of the Act;

“public awareness program” means a program delivered by a public utility

(a) to increase the awareness of the public, including the public utility's customers, about ways to increase energy conservation and energy efficiency or to encourage the public, including the public utility's customers, to conserve energy or use energy efficiently, or

(b) to increase participation by the public utility's customers in other demand-side measures proposed by the public utility in an expenditure portfolio or a plan portfolio

but does not include a program to increase the amount of energy sold or delivered by the public utility;

"public entity" means a local government, first nation, non-profit society incorporated under the *Society Act* or trade union;

"regulated item" means

- (a) an energy device,
- (b) an energy-using product,
- (c) a building design, or
- (d) thermal insulation;

"school" means a school regulated under the *School Act* or the *Independent School Act*;

"specified demand-side measure" means

- (a) a demand-side measure referred to in section 3 (c) or (d),
- (b) the funding of energy efficiency training,
- (c) a community engagement program, or
- (d) a technology innovation program;

"specified standard" means a standard in any of the following:

- (a) the Energy Efficiency Standards Regulation, B.C. Reg. 389/93;
- (b) the Energy Efficiency Regulations S.O.R./94-651;
- (c) the British Columbia Building Code, if the standard promotes energy conservation or the efficient use of energy;

"technology innovation program" means a program

- (a) to develop a technology, a system of technologies, a building design or an industrial facility design that is
 - (i) not commonly used in British Columbia, and
 - (ii) the use of which could directly or indirectly result in significant reductions of energy use or significantly more efficient use of energy,
- (b) to do what is described in paragraph (a) and to give demonstrations to the public of any results of doing what is described in paragraph (a), or
- (c) to gather information about a technology, a system of technologies, a building design or an industrial design referred to in paragraph (a).

Application

- 2 (1) This regulation applies only with respect to demand-side measures proposed by the authority.

- (2) Effective June 1, 2009,
 - (a) subsection (1) is repealed, and
 - (b) section 3 does not apply to a public utility that is owned or operated by a local government or has fewer than 10,000 customers.

Adequacy

- 3 A public utility's plan portfolio is adequate for the purposes of section 44.1 (8) (c) of the Act only if the plan portfolio includes all of the following:
 - (a) a demand-side measure intended specifically to assist residents of low-income households to reduce their energy consumption;
 - (b) if the plan portfolio is submitted on or after June 1, 2009, a demand-side measure intended specifically to improve the energy efficiency of rental accommodations;
 - (c) an education program for students enrolled in schools in the public utility's service area,
 - (d) if the plan portfolio is submitted on or after June 1, 2009, an education program for students enrolled in post-secondary institutions in the public utility's service area.

Cost effectiveness

- 4 (1) Subject to subsections (4) and (5), the commission, in determining for the purposes of section 44.1 (8) (c) or 44.2 (5) (d) of the Act the cost-effectiveness of a demand-side measure proposed in an expenditure portfolio or a plan portfolio, may compare the costs and benefits of
 - (a) the demand-side measure individually,
 - (b) the demand-side measure and other demand-side measures in the portfolio, or
 - (c) the portfolio as a whole.
- (2) In determining whether a demand-side measure referred to in section 3 (a) is cost effective, the commission must,
 - (a) in addition to conducting any other analysis the commission considers appropriate, use the total resource cost test, and
 - (b) in using the total resource cost test, consider the benefit of the demand-side measure to be 130% of its value when determined without reference to this subsection.
- (3) In determining whether a demand-side measure of a bulk electricity purchaser is cost-effective, the commission must consider the benefit of the avoided supply cost to be the authority's long-term marginal cost of acquiring new electricity to replace the electricity sold to the bulk electricity purchaser and not the bulk electricity purchaser's cost of purchasing electricity from the authority.
- (4) The commission must determine the cost-effectiveness of a specified demand-side measure proposed in a plan portfolio or an expenditure portfolio by determining whether the portfolio is cost effective as a whole.

- (5) If the commission is satisfied that a public awareness program proposed in a plan portfolio or an expenditure portfolio is likely to accomplish the goals set out in paragraph (a) or (b) of the definition of “public awareness program”, the commission must determine the cost-effectiveness of the program by determining whether the portfolio is cost-effective as a whole.
- (6) The commission may not determine that a proposed demand-side measure is not cost effective on the basis of the result obtained by using a ratepayer impact measure test to assess the demand-side measure.
- (7) In considering the benefit of a demand-side measure that, in the commission’s opinion, will increase the market share of a regulated item with respect to which there is a specified standard that has not yet commenced, the commission may include in the benefit a proportion of the benefit that, in the commission’s opinion, will result from the commencement and application of the specified standard with respect to the regulated item.

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

and

Terasen Gas Inc., Terasen Gas (Vancouver Island) Inc. and Terasen Gas (Whistler) Inc.
2010 Long Term Resource Plan
Project No.

EXHIBIT LIST

Exhibit No.

Description

COMMISSION DOCUMENTS

- | | |
|------|--|
| A-1 | Letter dated August 4, 2010 – Appointment of Commission Panel |
| A-2 | Letter dated August 4, 2010 – Preliminary regulatory timetable |
| A-3 | Letter dated August 10, 2010 – Amended regulatory timetable |
| A-4 | Letter dated September 22, 2010 – Commission Information Request No. 1 |
| A-5 | Letter dated September 24, 2010 – Reasons for Decision and Regulatory Timetable |
| A-6 | Letter dated October 28, 2010 – Commission Information Request No. 2 |
| A-7 | Letter dated October 28, 2010 – Start Time for Second Procedural Conference |
| A2-1 | Letter dated October 27, 2010 – BCUC Staff Submission “Retail Markets Downstream of the Utility Meter Guidelines (April 2007)” |
| A-8 | Letter dated November 12, 2010 – Second Procedural Conference cancelled |

APPLICANT DOCUMENTS TUS

- | | |
|-----|--|
| B-1 | TERASEN GAS INC., TERASEN GAS (VANCOUVER ISLAND) INC. AND TERASEN GAS (WHISTLER) INC. (TUS) Letter dated July 15, 2010 - Application for 2010 Long Term Resource Plan |
| B-2 | Letter dated October 18, 2010 – REVISED Filing to BC Hydro IR No. 1 to include Attachments |

Exhibit No.	Description
B-3	Letter dated October 18, 2010 – TUS Filing Response to BCOAPO IR No.1
B-4	Letter dated October 18, 2010 – TUS Filing Response to BCSEA IR No.1
B-5	Letter dated October 18, 2010 – TUS Filing Response to BCUC IR No.1
B-6	Letter dated October 18, 2010 – TUS Filing Response to CEC IR No.1
B-6-1	Letter dated November 8, 2010 – TUS Filing Erratum to CEC IR1.22.4
B-7	Letter dated November 8, 2010 – TUS Filing Response to BCOAPO IR No.2
B-8	Letter dated November 8, 2010 – TUS Filing Response to BCSEA IR No.2
B-8-1	Letter dated November 8, 2010 – CONFIDENTIAL Attachment 23.1 BCSEA IR2
B-9	Letter dated November 8, 2010 – TUS Filing Response to CEC IR No.2
B-10	Letter dated November 8, 2010 – TUS Filing Response to BCUC IR No.2
B-11	Letter dated November 10, 2010 – TUS Submissions on Second Procedural Conference

INTERVENOR DOCUMENTS

C1-1	MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES (MEMPR) Online registration dated September 9, 2010 - Request for Intervener Status by Erik Kaye
C2-1	BRITISH COLUMBIA HYDRO AND POWER AUTHORITY (BCH) – Online registration dated September 13, 2010 - Request for Intervener Status by Joanna Sofield
C2-2	Letter dated September 28, 2010 – BCH Filing Information Request No. 1 to TUS
C3-1	BC SUSTAINABLE ENERGY ASSOCIATION AND SIERRA CLUB OF BRITISH COLUMBIA CHAPTER (BCSEA) - Online Registration dated September 13, 2010 - Filing Intervener Registration by William Andrews and Thomas Hackney
C3-2	Letter dated September 28, 2010 – BCSEA Filing Information Request No. 1
C3-3	Letter dated October 28, 2010 – BCSEA Filing Information Request No. 2
C3-4	Letter dated November 10, 2010 – BCSEA Submissions on Second Procedural Conference

Exhibit No.	Description
C4-1	BRITISH COLUMBIA OLD AGE PENSIONERS' ORGANIZATION (BCOAPO) VIA EMAIL Letter Dated September 14, 2010 - Request for Intervener Status by Jim Quail and James Wightman
C4-2	Letter dated September 28, 2010 – BCOAPO Filing Information Request No. 1
C4-3	Letter dated October 28, 2010 – BCOAPO Filing Information Request No. 2
C4-4	Letter dated November 10, 2010 – BCOAPO Submissions on Second Procedural Conference
C5-1	COMMERCIAL ENERGY CONSUMERS ASSOCIATION OF BRITISH COLUMBIA (CEC) – Letter dated September 20, 2010 – Request for Intervener Status by Owen Bird Law Corporation
C5-2	Letter dated September 30, 2010 – CEC Filing Information Request No. 1
C5-3	Letter dated October 28, 2010 – CEC Filing Information Request No. 2
C5-4	Letter dated November 10, 2010 – CEC Submissions on Second Procedural Conference