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Via E-file

July 2, 2020

B.C. Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC V6Z 2N3

File No.: 4.2.7(2020)

Attention: Marija Tresoglavic  
Acting Commission Secretary

Dear Ms. Tresoglavic:

**Re: Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd.  
Application for Acceptance of 2019 Consolidated Resource Plan and for  
Acceptance of Energy Conservation and Innovation (ECI)  
Portfolio Funding for 2020 and 2022  
Applicant's Reply Argument**

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Accompanying, please find the Reply Argument of Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd. in the referenced proceeding.

Please direct any questions regarding the application to my attention.

Yours truly,

*Original on file signed by:*

Verlon G. Otto

Enclosure

**PACIFIC NORTHERN GAS LTD.  
and  
PACIFIC NORTHERN GAS (N.E.) LTD.**

**APPLICATION  
to the  
BRITISH COLUMBIA UTILITIES COMMISSION**

**FOR ACCEPTANCE OF THE  
2019 CONSOLIDATED RESOURCE PLAN  
AND FOR ACCEPTANCE OF THE  
ENERGY CONSERVATION AND INNOVATION (ECI)  
PORTFOLIO FUNDING FOR 2020 THROUGH 2022**

**APPLICANT'S REPLY ARGUMENT**

**July 2, 2020**

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## 1. INTRODUCTION

1. On October 31, 2019, Pacific Northern Gas Ltd. (PNG-West) and Pacific Northern Gas (N.E.) Ltd. (PNG(NE)) (collectively, PNG) submitted their 2019 Consolidated Resource Plan for the PNG-West and PNG(NE) pipeline systems (2019 Consolidated Resource Plan) in compliance with British Columbia Utilities Commission (BCUC or Commission) Order G-140-14, and confirmed in Order G-155-15.<sup>1</sup> PNG is seeking BCUC acceptance of this 2019 Consolidated Resource Plan in accordance with section 44.1 of the *Utilities Commission Act* (UCA).

2. PNG is also seeking BCUC acceptance, pursuant to section 44.2(3) of the UCA, of the expenditures schedule for PNG's Energy Conservation and Innovation (ECI) portfolio for the period from 2020 through 2022.<sup>2</sup> PNG is requesting BCUC acceptance of expenditures related to the ECI portfolio for 2020 that are in addition to those previously accepted by way of Order G-121-19. PNG is also requesting acceptance of expenditures for two additional years (2021 and 2022) to fund an expanded ECI portfolio.

3. In accordance with the regulatory timetable approved by the BCUC for this proceeding, PNG filed its Final Submission in this proceeding on June 11, 2020.<sup>3</sup> On June 25, 2020, the British Columbia Public Interest Advocacy Centre, representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Council of Senior Citizens' Organization of BC, Disability Alliance BC, and the Tenant Resource and Advisory Centre et al. (BCOAPO), and the B.C. Sustainable Energy Association (BCSEA) filed their final arguments.

4. PNG notes that neither BCOAPO nor BCSEA oppose PNG's 2019 Consolidated Resource Plan or PNG's ECI Funding Application.<sup>4</sup> BCSEA concludes that the 2019 Consolidated Resource Plan and the schedule of expenditures related to PNG's ECI portfolio for the period 2020 to 2022 are in the public interest and should be accepted by the BCUC pursuant to

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<sup>1</sup> The original filing date of April 8, 2019 specified in Orders G-140-14 and G-155-15 was subsequently amended to September 30, 2019 by way of Order G-76-19. PNG later submitted a request for a second extension, to October 31, 2019, that was granted by the BCUC by way of Order G-233-19.

<sup>2</sup> Exhibit B-1, Table 38, p. 130.

<sup>3</sup> Exhibit A-7.

<sup>4</sup> BCOAPO Final Argument, p. 8.

section 44.2 and section 44.1, respectively, of the UCA.<sup>5</sup>

5. In this Reply Submission, PNG responds to the issues raised by BCOAPO and BCSEA in their final arguments.

## **2. REPLY TO ASPECTS OF THE 2019 CONSOLIDATED RESOURCE PLAN AND ECI FUNDING APPLICATION**

### **2.1 Gross Demand Forecast**

6. BCSEA acknowledges that the 2019 Consolidated Resource Plan meets the requirements of section 44.1(2)(a) of the UCA by providing a gross demand forecast for the planning period.<sup>6</sup> BCSEA goes on to state that the forecast is “sufficiently accurate for the current planning purposes” and that the cost to update the 2013 Residential End Use Survey (REUS) that informs the residential forecast cannot be justified at this time.<sup>7</sup>

7. BCOAPO states that “it has no issue with PNG’s method of forecasting demand” and submits that PNG’s REUS should be updated “in the near future” and asks PNG to “outline in its Reply what type of actual data results received by the Utility that [*sic*] would, in its view, strongly suggest an update to the REUS was advisable”.<sup>8</sup>

8. Information on residential behaviour and dwelling characteristics provided through the REUS informs the residential end-use forecast. Currently, the accuracy of the 2014 residential use per account (UPA) forecast for 2018 for the PNG-West, Fort St. John and Dawson Creek systems that, collectively, comprise 97 percent of residential customers, is approximately four percent.<sup>9</sup> The residential demand forecast is determined as the product of the residential UPA and the forecast number of customers; only the first factor is determined using the results of the REUS. Furthermore, the demand from the residential sector comprises only 30 percent of the entire demand on PNG’s systems.<sup>10</sup> Therefore, even significant deviation in the forecast UPA has a diluted effect on the demand forecast of the

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<sup>5</sup> BCSEA Final Argument, para. 4-5.

<sup>6</sup> BCSEA Final Argument, para. 60.

<sup>7</sup> BCSEA Final Argument, para. 61-62.

<sup>8</sup> BCOAPO Final Argument, pp. 4-5.

<sup>9</sup> Exhibit B-7, BCUC IR 2.60.1.

<sup>10</sup> *Ibid.*

overall system. In light of these considerations, PNG submits that the 2013 REUS continues to be representative of residential customers' characteristics and behaviours in regard to natural gas use.

9. PNG submits that a trend of significant deviation between the forecast and actual UPA would likely prompt a revision to PNG's residential end-use model and the execution of a new REUS. PNG is however cognizant that the REUS is 7 years old and PNG finds BCOAPO's suggested update frequency of every 10 years reasonable.<sup>11</sup> On such a frequency, PNG would update the REUS in 2023.

## **2.2 Adherence to the BCUC Resource Planning Guidelines**

10. The BCUC's Resource Planning Guidelines (Guidelines) identify a number of aspects of the resource planning process including (i) the "measurement of supply and demand resources" against the objectives of the resource plan (section 4); (ii) the "development of multiple resource portfolios" (section 5); (iii) the "evaluation and selection of resource portfolios" (section 6); and (iv) the "development of an action plan" (section 7).

11. PNG has not followed, in a formal and strict sense, these four aspects of the resource planning process and PNG submits that omitting one or more aspects of the Guidelines does not preclude the BCUC from finding that PNG's 2019 Consolidated Resource Plan meets the requirements of section 44.1(2) of the UCA.

12. BCOAPO has no issue with PNG's deviation from the four aspects of the resource planning process outlined in the preceding paragraph and "agrees with PNG that the BCUC should 'consider the unique operating circumstances of the utility in applying the 2003 Guidelines'". BCOAPO agrees that PNG's 2019 Consolidated Resource Plan meets the requirements of a long-term resource plan identified in section 44.1(2) of the UCA.<sup>12</sup>

13. BCSEA agrees that the Fortis Energy Utilities (FEU) 2014 Long Term Resource Plan (LTRP) Decision supports PNG's argument that the 2019 Consolidated Resource Plan meets the requirements of section 44.1(2) of the UCA without the inclusion of all of the aspects of

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<sup>11</sup> BCOAPO Final Argument, p. 4.

<sup>12</sup> BCOAPO Final Argument, p. 5.

the resource planning process outlined in the Guidelines.<sup>13</sup> However, BCSEA considers PNG's exclusion of the RECAP process from the demand forecast, and the limitation of the 2019 DSM Plan to only three years, rather than for the full forecasting period, as weaknesses, although not fatal ones, of the 2019 Consolidated Resource Plan.<sup>14</sup>

14. PNG acknowledges the concerns of BCSEA and restates that any projects required to reactivate existing and under-utilized capacity on the PNG-West system in response to the outcome of the RECAP open season will be fully described in either a standalone application for a Certificate of Public Convenience and Necessity (CPCN) or a section 44.2 expenditure schedule, or through a future revenue requirements application. PNG submits that these established processes are sufficient for the BCUC and Interveners to review the implications of these projects, specifically on the ability of the PNG-West system to serve current and future loads. BCSEA accepts that the BCUC's established procedures will address the potential impacts on existing and future customers.<sup>15</sup>

15. Notwithstanding the previous point, PNG has determined the available spare capacity on its PNG-West system available to an open season giving due consideration of the current and future demand from its existing customers. Under any outcome of the RECAP open season, the PNG-West system will have sufficient capacity to serve all the demand from all the firm loads that have been identified in the 2019 Consolidated Resource Plan.<sup>16</sup>

16. PNG's decision to limit its 2019 DSM Plan to the three years spanned by its expenditures schedule for PNG's ECI portfolio is a pragmatic one that reflects the continued evolution of the ECI portfolio. The performance of PNG's existing and proposed ECI portfolio through 2022 will inform its further expansion over the following three to five years. BCSEA does not appear to be concerned with the limited planning horizon of the 2019 DSM Plan, stating that "this does not appear to be a practical problem in the current circumstances" where "the practical challenge is for PNG to fully implement the proposed 2020-2022 ECI Program."<sup>17</sup>

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<sup>13</sup> BCSEA Final Argument, para. 75.

<sup>14</sup> BCSEA Final Argument, para. 77.

<sup>15</sup> BCSEA Final Argument, para. 71.

<sup>16</sup> PNG Final Argument, para. 17-18.

<sup>17</sup> BCSEA Final Argument, para. 8.

### 2.3 Renewable Natural Gas Strategy

17. While BCSEA supports PNG's development of a renewable natural gas (RNG) program, BCOAPO expresses some concern relating to PNG's intention to purchase environmental attributes of RNG produced anywhere in the world.<sup>18</sup> BCOAPO outlines an RNG procurement scenario where PNG contracts with a third party to purchase RNG anywhere in the world and set up the contractual paths so as to capture the emission reduction benefits on behalf of PNG and its customers. BCOAPO does not believe that such a procurement scenario is in the spirit of B.C.'s Energy Objectives that include the Greenhouse Gas Reduction Regulation (GGRR) voluntary five percent RNG target and the CleanBC 15 percent RNG goal by 2030.<sup>19</sup>

18. PNG replies that such a procurement scenario is not currently possible. As stated in response to BCOAPO's question during discovery, there is currently no international market for carbon emission reduction credits. Such a market is contemplated under Article 6 of the 2015 Paris Agreement on climate change whereby, if one country pays for carbon emissions to be reduced in a second country, the first country can count those reductions towards its own national targets. Article 6 is one of the last sections of the Paris Agreement still under negotiation.<sup>20</sup> With regards to procuring RNG supply from sources not connected to PNG's distribution systems, and from outside of British Columbia, such transactions have been previously approved by the BCUC and are consistent with section 3.8 of the GGRR.<sup>21</sup>

19. PNG submits that the overarching goal of the GGRR and the CleanBC Plan is to reduce greenhouse gas emissions. Reducing emissions from sources outside of B.C. does not diminish the impact that those reductions have on global warming. While PNG is currently not proposing to acquire carbon emission reduction credits from international markets, PNG will balance the interests of developers of RNG projects here in B.C., with the interests of its customers and seek out the most economical and cost-effective means to reduce GHG emissions.

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<sup>18</sup> BCSEA Final Argument, para. 83.

<sup>19</sup> BCOAPO Final Argument, p. 5.

<sup>20</sup> Exhibit B-8, BCOAPO 2.11.1.

<sup>21</sup> Order and Decision G-40-20 (FortisBC Energy Inc. Application for Acceptance of Biomethane Purchase Agreements between FortisBC Energy Inc. and Tidal Energy Marketing Inc. proceeding).

## 2.4 Request for Approval of a Schedule of 2020-2022 ECI Expenditures

20. BCSEA concludes that the expenditures schedule for PNG's ECI portfolio for the period from 2020 to 2022 should be accepted as being in the public interest pursuant to section 44.2 of the UCA.<sup>22</sup> BCOAPO does not oppose PNG's ECI portfolio for the period from 2020 to 2022.<sup>23</sup>

21. Both BCOAPO and BCSEA raised concerns with respect to PNG's significant underspending on ECI programs.<sup>24,25</sup> PNG acknowledges those concerns and restates that it is working on a communications and outreach strategy whose goal is to increase participation rates in the residential and commercial programs.<sup>26</sup>

22. PNG considers a residential program as a 'flagship' program around which an effective communications plan can be executed. In 2018, PNG proposed a residential furnace and boiler replacement program that was subsequently rejected by the BCUC.<sup>27</sup> In this application, PNG proposes a residential efficient heating program that provides incentives to residential customers to maintain the efficiency of their natural gas heating system.<sup>28</sup> PNG intends to design its communications and outreach strategy around the residential efficient heating program.

23. BCOAPO points out that PNG currently has no means of measuring customer awareness of, or satisfaction with, PNG's ECI programs.<sup>29</sup> While PNG concedes that it has not developed metrics, PNG nevertheless does have information from its 2019 Customer Attitudes Survey and is prepared to develop cost effective means of monitoring customer perceptions.<sup>30</sup>

24. PNG notes that neither BCOAPO nor BCSEA raised any concerns regarding PNG's proposed ECI programs. BCSEA expressly supports PNG's participation in the Natural Gas

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<sup>22</sup> BCSEA Final Argument, para. 4.

<sup>23</sup> BCOAPO Final Argument, p. 6.

<sup>24</sup> Ibid.

<sup>25</sup> BCSEA Final Argument, para. 4.

<sup>26</sup> Exhibit B-3, BCUC 1.45.2.

<sup>27</sup> Decision and Order G-121-19.

<sup>28</sup> Exhibit B-1, Appendix F (2019 DSM Plan), p. 31.

<sup>29</sup> BCOAPO Final Argument, p. 6.

<sup>30</sup> Exhibit B-4, BCOAPO 1.6.2.

Innovation Fund (NGIF).<sup>31</sup>

## 2.5 Other Requested Approvals

25. PNG requests that the BCUC grant approval allowing PNG flexibility in the reallocation of expenditures amongst ECI programs and between program years, subject to the total amount spent by PNG on ECI activities between the date of approval and 2022 not exceeding the total amount of \$2.278 million sought in the DSM Plan, unless otherwise approved by the BCUC. PNG proposes to continue the program funding transfer rules that were approved under Order G-121-19.

26. BCOAPO seeks clarification that the limit on total spending not exceeding \$2.278 million is with respect to the amount presented in the expenditure schedule for which PNG is seeking approval. In the event that PNG has already incurred expenditures that are in excess of those previously approved for 2020, BCOAPO desires assurance that these excess expenditures are considered part of PNG expenditure schedule of \$2.278 million for which PNG is seeking BCUC acceptance.<sup>32</sup>

27. PNG confirms that its intention with respect to its requested flexibility in the reallocation of expenditures is limited to the amount of \$2.278 million requested in the expenditure schedule that PNG requests BCUC acceptance of. For clarity, PNG has projected an ECI budget for 2020 of \$781,000 of which \$290,000 has been previously approved by way of Order G-121-19, with the remaining \$491,000 being the subject of the current request. The effect of the BCUC granting a continuation of the program funding rules is that the reallocation of expenditures is limited to the amount of \$2.568 million over the period from January 1, 2020 to December 31, 2022.<sup>33</sup>

28. BCOAPO takes the position that for any material reallocation of ECI spending among ECI programs and program years, the utility should not only be able to show ex post that any material reallocation is in the public interest, but they should be required to do so.<sup>34</sup>

29. PNG submits that the purpose of the funding transfer rules approved under Order G-

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<sup>31</sup> BCSEA Final Argument, para. 55.

<sup>32</sup> BCOAPO Final Argument, p. 7.

<sup>33</sup> \$290,000 previously approved plus \$2,278,000 requested equals \$2,568,000.

<sup>34</sup> Ibid.

121-19 is to set a threshold of materiality that simplifies PNG management of the ECI portfolio. Under the approved rules, funding transfers under 25 percent from one approved program area to another approved program area would be permitted without prior approval of the BCUC.<sup>35</sup> BCOAPO's proposal that material reallocations should be subject to BCUC approval ex post is therefore unnecessary as PNG is already required to seek BCUC approval ex ante, for any funding transfers exceeding the materiality threshold of 25 percent.

30. PNG is also seeking approval to continue to record all ECI expenditures in a rate base regulatory asset deferral account. Lastly, PNG is seeking approval to set the amortization period for all expenditures charged to this regulatory asset deferral account to five years, consistent with the amortization period approved for ECI expenditures over the period 2019 to 2020 under Order G-121-19. PNG notes that neither BCOAPO nor BCSEA express any concerns regarding the treatment of ECI expenditures.

### **3. CONCLUSION**

31. PNG respectfully submits that the 2019 Consolidated Resource Plan, the responses provided to Information Requests in this proceeding, and in PNG's submissions provide the necessary evidence to allow the BCUC to make a favourable assessment of PNG's ongoing efforts to provide cost-effective delivery of secure and reliable energy services to its customers.

32. PNG respectfully submits that it has prepared a 2019 Consolidated Resource Plan that meets the requirements of section 44.1(2) of the UCA. PNG submits that carrying out the 2019 Consolidated Resource Plan is in the public interest, and in the interest of persons who receive or may receive service from PNG. PNG respectfully submits that the 2019 Consolidated Resource Plan should be accepted as filed pursuant to Section 44.1(6) of the UCA.

37. In addition, PNG submits that the proposed schedule of expenditures for PNG's ECI portfolio for the period 2020 to 2022 are in the public interest and in the interest of persons who receive or may receive service from PNG. In this regard, PNG respectfully submits that the proposed schedule of expenditures meets the requirements of the UCA and should be accepted as filed pursuant to section 44.2(3) of the UCA.

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<sup>35</sup> Decision and Order G-121-19, p. 2.

ALL OF WHICH IS RESPECTFULLY SUBMITTED.

Dated at Vancouver, British Columbia this 2<sup>nd</sup> day of July 2020.

PACIFIC NORTHERN GAS LTD. and  
PACIFIC NORTHERN GAS (N.E.) LTD.

*Original on file signed by:*

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Gordon Doyle  
Vice President, Regulatory Affairs, Legal & Gas Supply