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Via E-File

May 12, 2020

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

File No.: 4.2.7(2020)

Attention: Patrick Wruck  
Commission Secretary and Manager, Regulatory Services

Dear Mr. Wruck:

**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  
Response to BCSEA Information Request No. 2**

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Accompanying, please find the response of Pacific Northern Gas Ltd. and Pacific Northern Gas (N.E.) Ltd. (collectively, PNG) to British Columbia Sustainable Energy Association (BCSEA) Information Request No. 2 in the referenced proceeding.

Please direct any questions regarding this letter to my attention.

Yours truly,

A handwritten signature in black ink, appearing to read 'Verlon Otto', is written over a light grey rectangular background.

Verlon G. Otto

Encl.

**REQUESTOR NAME:** BC Sustainable Energy Association  
**INFORMATION REQUEST:** No. 2  
**TO:** Pacific Northern Gas Ltd. and  
Pacific Northern Gas (N.E.) Ltd.  
**DATE:** April 21, 2020  
**PROJECT NO:** None  
**APPLICATION NAME:** Application for Acceptance of 2019 Consolidated  
Resource Plan and for Acceptance of Energy  
Conservation and Innovation (ECI) Portfolio Funding for  
2020 to 2022

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**68.0 Topic: COVID-19 Pandemic  
Reference:**

PNG has a "COVID-19 Update" on its website at <https://www.png.ca/banner>.

68.1 Is PNG altering the remedies it requests in this proceeding, due to the COVID-19 pandemic?

**Response:**

PNG is not altering the approvals sought in this proceeding due to the COVID-19 pandemic. PNG submits that it is premature to speculate on the impact of the COVID-19 pandemic on the demand forecasts underlying the 2019 Consolidated Resource Plan and on the delivery of PNG's existing and proposed energy efficiency programs presented in the 2020 – 2022 DSM plan and expenditure schedule when the duration of the COVID-19 pandemic and associated mitigative measures in B.C. remains unclear.

68.2 What has been the short-term impact of the pandemic on PNG's load and peak demand? Please differentiate by service area and customer type. Please specify whether the response is weather normalized or not.

**Response:**

PNG is closely monitoring how the measures being taken with respect to COVID-19 will impact customer load in each of its service areas. With the warmer spring weather, PNG's forecast takes into consideration lower demand given that many customers primarily use natural gas for space and hot water heating. Depending on the situation of each type of customer, as well as of the customer class category, PNG expects the following impacts:

- i. Residential: With the warmer spring weather, PNG's forecast takes into consideration lower demand given that residential customers primarily use natural gas for space and hot water heating. As such, subject to changes in weather being warmer or colder than normal, PNG expects minimal impacts to residential consumption over the next few months.
- ii. Institutional/Commercial: PNG is closely monitoring how the measures being taken with respect to COVID-19 will impact institutional and other commercial gas demand from schools, hospitals, and other businesses. With the warmer spring weather, PNG's forecast takes into consideration lower demand given that the noted institutional customers and many other commercial businesses primarily use natural gas for space and hot water heating.
- iii. Industrial: PNG has reached out to its large industrial customers to better understand the impacts of COVID-19 on their forecast natural gas consumption. To date, these customers have indicated that even in a scenario whereby COVID-19 related restrictions are prolonged for an additional three to six months, they do not anticipate any substantial impact to their demand. PNG will continue to monitor the situation with its larger customers. PNG also notes that several of its larger customers have minimum take or pay contractual obligations in place.

68.3 When will PNG next prepare a demand forecast? Will the timing be advanced due to the COVID-19 pandemic?

**Response:**

PNG prepares demand forecasts for the following two years as part of its revenue requirements applications that are typically filed every two years. In addition, PNG updates its design day peak demand forecast on an annual basis as part of its annual gas contracting process. PNG expects to prepare its next long-range demand forecast for its next resource plan, anticipated in five years, consistent with the timing between the current and previous resource plans.

PNG submits that it is premature to predict the outcomes from COVID-19 on PNG and its long-range demand forecasts and, as such, PNG does not believe there is any need to alter the timing of the next long-range demand forecast at this time.

68.4 What is the effect of the COVID-19 pandemic on PNG's delivery of its existing energy efficiency programs? Please provide detail by program, spending and savings.

**Response:**

PNG submits that it is premature to speculate on the impact of the COVID-19 pandemic on the delivery of PNG's existing and proposed energy efficiency programs, when the duration of this, and the anticipated reoccurrences of outbreaks of COVID-19 in B.C. remain unclear. What is clear at this time is that the closure of schools and the cessation of public events has temporarily curtailed PNG's Energy Conservation and Innovation's (ECI's) Energy is Awesome program for elementary school children, as well as the Community Energy Association's (CEA's) Builder's workshops and breakfast programs that support the adoption of building practices meeting higher levels of the B.C. Energy Step Code. In addition, PNG's participation at local community events has also been put on hold.

The impact on PNG's commercial and proposed residential programs is unclear at this time.

68.5 What is the effect of the COVID-19 pandemic on PNG's ECI Portfolio Funding for 2020-2022?

**Response:**

Please see the response to Question 68.4.

68.6 For context, has PNG applied to the BCUC regarding PNG's "COVID-19 Customer Relief Program"?

**Response:**

On April 9, 2020, Pacific Northern Gas Ltd. (PNG-West) and Pacific Northern Gas (N.E.) Ltd. (PNG(NE)) filed an application (COVID-19 Application) with the British Columbia Utilities Commission (BCUC) for approval for each company to establish new interest bearing deferral accounts to: (1) capture bad debts arising from the impacts of the COVID-19 pandemic; and (2) to capture unplanned expenditures for continuing operations due to the COVID-19 pandemic.

On April 17, 2020, the BCUC issued Orders G-88-20 and G-89-20 to PNG-West and PNG(NE), respectively, providing approval to establish a bill payment deferral program for residential and small commercial customers. The BCUC also provided interim approval of new deferral accounts to capture unplanned costs for continuing operations due to the COVID-19 pandemic.

A regulatory proceeding is presently underway to review the COVID-19 Application.

68.7 For context, does PNG see the COVID-19 pandemic having a material impact on PNG's 2020 delivery revenues due to a drop in demand? If so, would PNG consider applying for adjustments to its rates?

**Response:**

PNG believes that this question is outside of the scope of the "2019 Consolidated Resource Plan and Acceptance of Energy Conservation and Innovation (ECI) Portfolio Funding for 2020 to 2022" proceeding. PNG notes that it answered similar questions in both the 2020-2021 Revenue Requirements Applications for PNG(N.E.) and PNG-West. For context, PNG provides its response to BCOAPO Question 1.10 found in Exhibit B-5 of the PNG-West 2020-2021 RRA proceeding.

**"1.10 If applicable, based on PNG's views as provided in the preceding responses, does PNG believe that any significant revision to its Amended Application is warranted at this time?"**

**Response:**

PNG does not believe that any significant revision to the Amended Application is warranted at this time.

As discussed in PNG's responses to Questions 1.1, 1.2 and 1.3, PNG does not yet have evidence of any substantial impact to gas consumption as a result of COVID-19. PNG also notes that mechanisms are in place to capture use per account variances related to residential and small commercial customers and load variances for some large industrial customers.

As described in PNG's response to Question 1.7, it is premature to predict the outcomes from COVID-19 on PNG and its operating costs and as such, PNG does not believe that any significant revision to the Amended Application is due at this time.

PNG also reiterates that it has submitted an Application for the creation of the COVID-19 deferral account to capture unrecovered revenues and unplanned costs resulting from the COVID-19 pandemic.

**69.0 Topic: DSM Programs to address New Construction**  
**Reference: Exhibit B-5, PNG Response to BCSEA IR 40.1, pdf p.87**

PNG states in its response that “the target audience for a program needs to be large enough such that the energy saving benefits from the participants, usually a small portion of the target audience, are greater than the costs of the program’s overhead; thereby resulting in a cost benefit test result of greater than one. The rate of new construction in PNG’s service areas is extremely low, averaging less than 500 new homes and less than 50 new commercial construction starts per year.”

69.1 Was PNG’s conclusion that EE programs for new residential, and commercial, construction would not be cost-effective based on quantitative analysis? If so, please provide the results of the analysis.

**Response:**

PNG has not calculated the benefit/cost ratio of a new construction program. Rather, conclusions were drawn based on the analysis and discussion of other ECI program costs, participation, and benefits relative to opportunities in new construction and in consideration of other supports available to customers.

**70.0 Topic: DSM Programs to address New Construction**  
**Reference: Exhibit B-5, PNG Response to BCSEA IR 41.1**

PNG states in its response that “per Section 4.6 of the 2019 DSM Plan, the most appropriate use of the 2017 CPR Market Potential Review is to provide portfolio level directional guidance to PNG DSM planning.”

- 70.1 Please explain PNG’s understanding of the “portfolio level directional guidance to PNG DSM planning” that was provided by the CPR finding that “The whole facility end-use dominates the residential sector, accounting for 70% of the total savings potential. This is largely driven by ENERGY STAR Homes, which have by far the most market potential of all residential measures.”

**Response:**

PNG submits that, per section 4.6 of the 2019 DSM Plan, the most appropriate use of the 2017 CPR Market Potential Review is to provide portfolio level directional guidance to PNG’s DSM planning process. The CPR market potential estimates are not intended to be program- specific and are most reasonable when results are considered in aggregate. Assumptions for fuel shares, building characteristics, equipment shares, measures, end use intensities, technology and administration costs, and payback acceptance are not specific to PNG’s service territory. The 2017 CPR lead consultant relied on FEI data to calibrate key model assumptions such as variable administrative costs that do not reflect the history, challenges, and opportunities particular to PNG’s ECI portfolio.

PNG proposes to address the energy savings potential of new homes by continuing its Codes and Standards program that supports training of building contractors and trades in techniques that achieve varying levels of the B.C. Energy Step Code.

**71.0 Topic: DSM Programs to address New Construction**  
**Reference: PNG Response to BCSEA IR 41.1 and BCSEA IR 52.3**

In its response to BCSEA IR 41.2, PNG states that it “defined the principles used to guide the development of the ECI Program, one of which is to “leverage available programs and incentives from other organizations, agencies, and utilities”. The CleanBC Better Homes web portal links to offers for three residential new construction programs being offered in PNG’s service areas.”

In its response to BCSEA IR 52.3, PNG states that it “does not actively promote the CleanBC programs.”

71.1 Please explain how PNG leverages the CleanBC Better Homes web portal while simultaneously not actively promoting the CleanBC programs.

**Response:**

PNG ECI programs are searchable on the CleanBC website using the incentive search tool and CleanBC communications are Province wide. However, PNG hasn’t included CleanBC programs in their outreach and communications to date.

**72.0 Topic: Low income gas saving measures offered by FEI**  
**Reference: PNG Response to BCSEA IR 58.4.1, 58.4.2, and 58.4.3, pdf p.131**

In its response to BCSEA IR 58.4.1, PNG indicates that “Income-qualified customers of FEI may also qualify for attic, wall and/or crawlspace insulation, or a high-efficiency natural gas furnace or a furnace rebate.” In its response to BCSEA IR 58.4.2, PNG states that it “agrees that these additional measures will provide additional savings.” In its response to BCSEA IR 58.4.3 PNG states that it “has not declined to offer these measures. PNG has not yet fully considered these measures for inclusion at this time.”

72.1 Please explain why PNG did not fully consider these measures.

**Response:**

PNG chooses to focus resources on building participation and energy savings in current programs rather than spread resources and programs too thin.

72.2 Will PNG fully consider adding these measures for its income-qualified customers in the future? If yes, when? If no, why not?

**Response:**

PNG intends to fully consider this and other measures when actual participation and energy savings is equal to the forecast for the current programs.

**73.0 Topic: Commercial Program Area: Efficient Kitchens**  
**Reference: PNG Response to BCSEA IR 61.1, 61.2 and 61.2.1, pdf pp.135-136**

In its response to BCSEA IR 61.1 PNG states that “PNG's Efficient Kitchens program also includes two faucet aerators. PNG did not consider any additional measures for inclusion in the Efficient Kitchens program.” In response to BCSEA IR 61.2 PNG states “PNG understands that FEI offers additional gas-saving measures to its commercial kitchen customers that PNG does not including combination ovens, convection ovens, conveyor ovens, fryers, fryers – large vat, griddles, rack ovens, and steam cookers.” In response to BCSEA IR 61.2.1 PNG states that it “generally agrees that additional measures will provide additional savings but PNG has not analysed any specific measures at this time.”

- 73.1 Given that PNG generally agrees that there are additional gas saving measures for commercial kitchens that FEI offers that PNG does not, when does PNG expect to consider these measures?

**Response:**

PNG intends to fully consider this and other measures when actual participation and energy savings is equal to the forecast for the current programs.

- 74.0 Topic: Conservation Potential Review  
Reference: Exhibit B-5, PNG Response to BCSEA IR 64.3, pdf p.146

In its response to BCSEA IR 64.3 PNG states:

“PNG submits that, per section 4.6 of the 2019 DSM Plan, the most appropriate use of the 2017 CPR Market Potential Review is to provide portfolio level directional guidance to PNG DSM planning. The CPR market potential estimates are not intended to be program-specific and are most reasonable when results are considered in aggregate. Assumptions for fuel shares, building characteristics, equipment shares, measures, end use intensities, technology and administration costs, and payback acceptance are not specific to PNG’s service territory and program design requires additional effort. The 2017 CPR lead consultant relied on FEI data to calibrate key model assumptions such as variable administrative costs that do not reflect the history, challenges, and opportunities particular to PNG’s ECI portfolio.”

- 74.1 Please explain why the CPR data were calibrated to FEI data rather than to PNG’s ECI portfolio.

**Response:**

PNG limited its financial contribution to the 2017 Conservation Potential Review (2017 CPR) jointly managed by BC Hydro and FortisBC. PNG’s financial contribution enabled it to provide data and comments during the development of the CPR. PNG’s participation provided PNG with insights into the study’s methodology and process as well as a report of portfolio level results.

PNG’s contribution was not sufficient to fund a detailed CPR study specific to PNG’s service territories, which would have cost significantly more. Instead, Navigant calibrated many of the model assumptions to produce results consistent with FortisBC Gas’s historic experience with market adoption of efficient technology and practices. Navigant leveraged this calibrated model in PNG’s evaluation and customized the model with PNG’s building stock forecasts, end use intensities, avoided costs, retail rates, and discount rates.

PNG submits that its approach of accepting a CPR based on FortisBC’s data, and scaled to PNG’s circumstances was pragmatic and appropriate.

74.2 Would the CPR results have been more useful to PNG for planning purposes if they had been calibrated to PNG data?

**Response:**

PNG submits that PNG may have increased confidence in the CPR results if the CPR had incorporated PNG's fixed and variable costs for administering its ECI program. However, in 2017, PNG had only begun to launch its first ECI programs and PNG did not have sufficient data to better inform the CPR. In light of PNG's level of experience with its ECI program in 2017, PNG submits that its approach of accepting a CPR based on FortisBC's data, and scaled to PNG's circumstances was pragmatic and appropriate at the time.

PNG may consider a CPR study specific to PNG's service territories when there is a need to fully understand and prioritize additional conservation measures.

74.3 Would the CPR results have been more program-specific if they had been calibrated to PNG data?

**Response:**

PNG is unclear on what is meant by results being program-specific. The programs identified in the 2017 CPR were based on Navigant's research on current BC program offerings, previous CPR and other Canadian programs, and potential measure lists from other jurisdictions. Therefore, PNG would not expect the list of measures that would have been evaluated for a CPR specific to PNG to be any different.

**75.0 Topic: Pacific Northern Gas Pipeline Looping Project**  
**Reference: Exhibit B-1, Table 10: World Scale LNG Export Projects and Related Infrastructure (Q1/2019), pdf p.63; Exhibit E-1, Letter of Comment**

Under the heading “2.2 Regional Economic Outlook,” and the subheading “2.2.2.1 PNG-West,” PNG says “Many LNG export projects proposed in the region have subsequently been cancelled.” “Table 10 outlines the remaining LNG export projects along with the associated infrastructure.” [p.43, pdf p.61] Table 10 is titled “World Scale LNG Export Projects and Related Infrastructure (Q1/2019).” The source is: BC Major Projects Inventory, Q1/2019. On the top of the second pages of Table 10 is an entry for “Pacific Northern Gas Pipeline Looping Project.”

A letter of comment dated February 18, 2020 from Mr. Jim Culp states in part:

“The Council of Canadian Terrace Chapter (COCTC) and the BC Federation of Fly Fishers (BCFFF) are very concerned and disappointed over a section in the Resource Plan that focuses on the reactivation of the “PNG Looping Project pipeline”, which is a twinning of their current 10” diameter pipeline with a 24” diameter pipeline from Summit Lake to Telkwa.”

The “Pacific Northern Gas Pipeline Looping Project” is listed on the BC Environmental Assessment Office EPIC database. A March 25, 2020 letter from PNG to the EAO requests a six month delay in starting the clock regarding process planning. [At: <https://projects.eao.gov.bc.ca/p/588511dbaaecd9001b826d20/documents>]

75.1 Can PNG confirm that the “Pacific Northern Gas Pipeline Looping Project” is still an active proposal?

**Response:**

PNG is currently monitoring opportunities for the PLP Project and only progressing project development at a gradual pace. PNG provides the following update with respect to project feasibility and permitting.

**Project Feasibility**

With a resurgence in LNG markets in the past 2 years, PNG made modest progress by actively advancing discussions with domestic and international customers interested in a pipeline expansion. PNG had some discussions on commercial arrangements with project proponents to serve several major industrial developments. At this time, these discussions have not resulted in any commercial contracts. For that reason, PNG’s primary focus has been on the RECAP project to add additional industrial customers to its existing network, with some smaller scale expansions expected to benefit existing PNG customers in the near term.

With the PLP Project, PNG has undertaken some analysis on commercial and engineering approaches that could deliver the natural gas throughput more economically. The Company is aware of the

sensitivity to pipelines in the region amongst Indigenous Nations and stakeholders. Thus, PNG has worked closely with Indigenous Nations over the past several years, seeking to provide meaningful community benefits from the project if it were to advance.

PNG believes that given its investment to date and its strategic position in the region, the PLP Project has the potential to provide significant benefit to the regions of northwestern British Columbia. These benefits could be realized from the expansion of PNG's unique position of offering natural gas transportation service to multiple industrial projects along British Columbia's west coast.

### Permitting

The PLP Project entered the Environmental Assessment Certification (EAC) process in 2013. The majority of environmental, socio-economic and engineering studies to support the EAC Application for the project were completed by the end of 2015. However, due to deteriorating market conditions for natural gas at that time, work on the project and the EAC Application was paused. This work was backstopped and paid for by a major industrial customer.

In 2018, markets began to show signs of recovery and there was increased interest in demand on PNG's system. In 2019, PNG made some progress in the following areas:

- Conducted the Multi-Lateral Process (MLP) to confirm market demand for pipeline capacity; this work ultimately resulted in insufficient commercial interest for a major pipeline expansion, but enough commercial interest to actively proceed with the RECAP process;
- Engaged with Indigenous Nations and stakeholders along the pipeline corridor; and
- Undertook smaller field studies on caribou, fish and fish habitat to update baseline studies conducted in 2014 and 2015. PNG also advanced winter tracking studies. In all studies, PNG worked with local Indigenous Nations.

More recently, after discussions with the BC Environmental Assessment Office (BC EAO), PNG informed the BC EAO that it would like to transition to the new environmental assessment process under the BC *Environmental Impact Assessment Act 2018*. The Company recognizes that this will require additional field work, application process and engagement with Indigenous Nations. PNG would only proceed with such work if backstop arrangements were in place with major customers.

In recent weeks, communication networks and business processes have been severely affected by the COVID-19 pandemic. As a utility, PNG's primary focus has been, and will continue to be, on maintaining essential services to residential and commercial customers. Furthermore, Indigenous communities are also justifiably focusing their resources and attention on the health of their people and communities.

In summary, the PLP Project continues to be strategic opportunity for PNG, but it is moving at a very slow pace of development in order to retain the optionality for future growth. With respect to growth on its pipeline system, PNG's primary focus is RECAP at this time.

75.2 Please explain how the “Pacific Northern Gas Pipeline Looping Project” relates to the 2019 Consolidated Resource Plan. The proposal is listed in the context of the regional economic outlook. Is the “Pacific Northern Gas Pipeline Looping Project” considered a resource option under the CRP? Is the proposed “Pacific Northern Gas Pipeline Looping Project” dependant on the outcome of the Process for Allocation of Reactivated Capacity (RECAP)?

**Response:**

Please see the response to Question 75.1.