

25th Floor  
700 W Georgia St

Vancouver, BC  
Canada V7Y 1B3

Tel 604 684 9151  
Fax 604 661 9349

[www.farris.com](http://www.farris.com)

Reply Attention of: George K. Macintosh, Q.C.  
Direct Dial Number: (604) 661-9332  
Email Address: [gmacintosh@farris.com](mailto:gmacintosh@farris.com)

Our File No.: 05497-0148

April 5, 2007

BY EMAIL

Mr. Alan Wait  
Box 2663, 210 Winipeg Avenue  
Grand Forks, BC  
VOH 1H0

Dear Sir:

Re: **Application by Fortis Inc. ("Fortis") for Approval of the Acquisition of the Issued and Outstanding Shares of Terasen Inc. ~ Project No. 3698454**  
**Response to Alan Wait Information Request ("IR") No. 1**

---

In accordance with the Amended Regulatory Agenda and Timetable established by the British Columbia Utilities Commission Order No. G-39-07, please find enclosed responses to your IR No. 1.

Yours truly,

FARRIS, VAUGHAN, WILLS & MURPHY  
LLP



Per:

George K. Macintosh, Q.C.

GKM/lcb  
Enclosure  
c.c.: Mr. R.J. Pellatt, Commission Secretary  
Registered Intervenors

Fortis Inc. ("Fortis") Application for Approval of the Acquisition of the Issued and Outstanding Shares of Terasen Inc. (the "Application")	Submission Date: April 5, 2007
Response to Alan Wait Information Request No. 1	Page 1

1. Will any of the natural gas transmission pipelines or distribution lines that belonged to Terasen Inc. and its subsidiaries before the Kinder Morgan take over remain with Kinder Morgan after Fortis Inc. acquires Terasen Inc.? If so, please explain.

**Response:**

No.

2. Should Fortis Inc. change the name of Terasen, will Fortis Inc. bear the full cost, or will Terasen ratepayers be expected to cover all or part of name change costs?

**Response:**

There are no plans to change the name of Terasen at this time.

Should a name change occur in the future, only those costs deemed prudently incurred by the regulator would be recovered in rates.

3. Does Fortis Inc. see any advantages for the ratepayers of both FortisBC and Terasen Inc. as a result of Fortis Inc owning both companies?

**Response:**

Fortis intends to operate the Terasen Utilities on a separate, stand-alone basis and there are no current plans to combine any common functions with FortisBC.

Any opportunities identified in the future that reduce costs or provide better service to customers of the Terasen Utilities or FortisBC would be subject to the normal BCUC review and approval process.

4. Both FortisBC and Terasen compete for home heating, water heating and cooking energy supply. How does Fortis Inc. propose to keep FortisBC and Terasen independently competing for the customer's business as if they were unrelated corporations?

**Response:**

Fortis intends to operate each of FortisBC and Terasen on a stand-alone basis, each continuing to supply alternative energy sources to customers. Moreover, the operations



Fortis Inc. ("Fortis") Application for Approval of the Acquisition of the Issued and Outstanding Shares of Terasen Inc. (the "Application")	Submission Date: April 5, 2007
Response to Alan Wait Information Request No. 1	Page 2

of both companies will continue to be independently regulated by the BCUC, whose regulatory oversight will help to ensure an appropriate balance of cooperation and competition is maintained.

5. Demand Supply Management (DSM) programs are presently designed to reduce the requirement of one product, electricity or natural gas, some times at the expense of the other. Compact fluorescent lights for instance, reduce electricity use but increase the natural gas use slightly during the heating season. How can Fortis Inc. guarantee that DSM programs will not be implemented in the future that are more about the benefits to Fortis Inc. than to real savings to the ratepayers of Terasen or FortisBC?

**Response:**

The DSM programs of both the Terasen Utilities and FortisBC are subject to the review of both the BCUC and Intervenors. The benefits of the programs for ratepayers typically include provision of optimal energy choices (including fuel switching), energy efficiency savings and appropriate pricing signals.

Currently, Terasen Gas, Inc. offers DSM such as the *ENERGY STAR* high efficiency furnace program to improve heating efficiency. FortisBC cooperates with Terasen to rebate a portion of the cost related to the high efficiency furnace fan motor. Such programs are consistent with BCUC approved least cost resource planning which is undertaken by both Terasen and FortisBC.

In addition, FortisBC has a DSM Advisory Committee that reviews the DSM programs and provides input regarding program design. Such oversight by the DSM Advisory Committee and the BCUC will provide continued assurance to ratepayers that programs are being implemented and maintained for the benefit of ratepayers.