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October 24, 2019

Clean Energy Fueling Services Corp.
101-45885 Alexander Ave.
Chilliwack, B.C.
V2P 1L7

Attention: Mr. Brett Barry, Senior Policy Advisor

Dear Mr. Barry:

Re: FortisBC Energy Inc. (FEI)
Project No. 1599033
Revelstoke Propane Portfolio Cost Amalgamation Application (Application)
Response to Clean Energy Fueling Services Corp. (CleanEnergy) Information
Request (IR) No. 1

On July 18, 2019, FEI filed the Application referenced above. In accordance with BCUC Order G-201-19 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to CleanEnergy IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Doug Slater

Attachments

cc (email only): Commission Secretary
Registered Parties



FortisBC Energy Inc. (FEI or the Company) Revelstoke Propane Portfolio Cost Amalgamation Application (the Application)	Submission Date: October 24, 2019
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1 1. Does FortisBC Energy Inc. (FEI) acknowledge that open-market businesses
2 which supply home heating oil, propane, district energy or compressed natural
3 gas delivery services will be negatively impacted if your request to cross-
4 subsidize your propane business is granted?

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6 **Response:**

7 FEI is unable to provide insight into the hypothetical question as written. However, FEI does
8 acknowledge that there may be conversions from other heating fuels to the FEI propane system
9 if propane rates are lower than those heating fuel prices and if that price differential is sufficient
10 to offset the other costs of conversion. FEI does not have insight into the ability of other fuel
11 providers to offer competitive rates for their heating fuels or to retain their customers.

12 FEI believes that it is appropriate to provide service to Revelstoke customers at the same rate
13 for gas service as the rest of the customers in the province as this is in the best interest of its
14 customers. In addition, FEI believes that customers should be allowed to choose the energy
15 service that best meets their needs.

16 As explained in the response to BCUC IR 1.8.3, FEI itself investigated converting its Revelstoke
17 customers to natural gas via a virtual LNG pipeline. FEI's investigation found that the proposals
18 in this Application represent a lower cost and non-capital solution to mitigate rate volatility and
19 provide rate relief to Revelstoke.

20 Please also see the response to BCUC IR 1.2.10 for a discussion of how the proposed
21 amalgamation could support economic development and the creation and retention of jobs in
22 Revelstoke.

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26 2. From FEI's point of view, what standard or standards should the BCUC apply
27 when considering if a BC utility is able to cross-subsidize an activity that could
28 result in harm to open market competitors?

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30 **Response:**

31 In reviewing the Application, the BCUC should apply the requirements of sections 58 to 61 of
32 the *Utilities Commission Act*. Please also refer to the responses to BCUC IR 1.3.1, 1.4.2, and
33 1.9.6.

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1 3. To how many other areas/towns, industrial and other energy users within your
2 service territory, could this same type of amalgamation apply?
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4 **Response:**

5 Revelstoke is currently the only community that is served by a propane distribution system that
6 is owned by FEI and that is located within the amalgamated FEI service territory. As such, the
7 same type of amalgamation proposed in the Application applies only to Revelstoke, but could be
8 applied to a similarly situated community in the future.

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12 4. Under Option 1 in your application, how are your natural gas ratepayers
13 protected in this proposal if the cost spread between propane and natural gas
14 once again widens for a sustained period of time in the future?
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16 **Response:**

17 As shown in Table 3-4 in Section 3.3 of the Application, FEI illustrated that in the extreme upper
18 end but unlikely scenario, the midstream rate impact to FEI's natural gas customers will be an
19 average increase of approximately 2 cents per GJ under Option 1 of the Application. For a
20 typical residential FEI natural gas customer consuming an average 90 GJ per year, this is
21 equivalent to approximately \$2 per year.

22 The extreme upper end scenario is where:

- 23 • The propane supply costs return to the historical peak level over the last 10 years that
24 occurred in 2014, which is approximately 37.5 percent higher than the current forecast
25 level; and
- 26 • All residential dwellings in Revelstoke identified in the Upper Bound scenario of the
27 Application decide to convert to propane immediately in the first year after the proposed
28 amalgamation is approved.

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33 5. On page 14 of your application, you mention that Option 1 “supports job
34 creation”. By artificially lowering the price of propane, are you taking the position
35 that other open- market competitors will not lose business or be forced to lay-off
36 workers?
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1 **Response:**

2 As explained in the response to Clean Energy IR 1.1, FEI does not have any insight into the
3 hypothetical question as to the extent that open-market energy service providers may be
4 impacted by the Application. FEI believes that the proposed amalgamation could support
5 general economic development and the creation and retention of jobs in Revelstoke (please
6 refer to the response to BCUC IR 1.2.10 for further details).

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11 6. Under Options 1 and 2 in your application, what is the potential financial benefit
12 to FEI over the next five years?

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14 **Response:**

15 FEI's Application is proposing to amalgamate the supply cost portfolios of propane and natural
16 gas. There is no immediate financial benefit for FEI (there may an incremental return on system
17 upgrades, which have the potential to occur irrespective of the approval of the Application). The
18 potential benefits to FEI's customers are set out in the response to BCUC IR 1.3.1.

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22 7. What steps has FEI taken to reduce the cost of energy for its Revelstoke
23 customers. For example, has FEI solicited supply of compressed natural gas or
24 LNG to service Revelstoke's demand?

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26 **Response:**

27 Please refer to the response to BCUC IR 1.8.3. Between 2015 and 2016, FEI investigated the
28 potential of connecting Revelstoke with FEI's natural gas system via a physical pipeline or a
29 virtual CNG or LNG pipeline to address rate stability and high cost of energy in Revelstoke, but
30 these projects were later considered economically and/or technically infeasible.

31 Over the past number of years, FEI has issued Expressions of Interest (EOI) to propane
32 suppliers on a two-year cycle. FEI reviews the supply contract terms and pricing provided by
33 the suppliers; FEI remains focused on ensuring secure, reliable and cost effective supply when
34 selecting propane suppliers for the following two-year term. As well, FEI utilizes price risk
35 management tools comprising physical and financial hedging to reduce the impact of propane
36 price volatility.

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8. FEI previously looked at converting Revelstoke from propane to LNG supplied from its Tilbury plant. Has this study been updated to consider present commodity price forecasts for both natural gas and propane? Has FEI considered purchase of LNG from other sources?

Response:

FEI has not updated the analysis of converting Revelstoke from propane to natural gas via a virtual LNG pipeline as part of this Application. Please also refer to the response to BCUC IR 1.13.2.

It should be noted that the commodity price of propane and LNG liquefaction cost inputs are two of many elements of the analysis of supplying LNG to Revelstoke. The more significant consideration of the analysis is the total capital cost required to convert the Revelstoke system to accommodate natural gas as a fuel. Please also refer to the response to BCUC IR 1.8.3.

Finally, as part of any LNG pipeline consideration, FEI has not considered purchasing LNG from other sources.

9. Excluding capital cost upgrades to FEI's Revelstoke plant, what is the cost of LNG delivered to Revelstoke from Tilbury and from competing LNG supply points. Has FEI considered improvements in LNG logistics such as use of high capacity B train trucks in its estimates?

Response:

The following table provides a high level estimate of the cost of LNG delivered from the Tilbury LNG plant to Revelstoke using FEI owned LNG tanker assets:

FEI Rate Schedule 46 Liquefaction Charge	\$4.920 per GJ (2019\$)
FEI Rate Schedule 46 Storage/Transport and Commodity Charge	\$2.562 per GJ (as of Oct. 1, 2019)
Logistics Cost of LNG Tanker Transport and Offload – Tilbury to Revelstoke (estimated)	Approx. \$4,500 per roundtrip (2019\$)

Note that these costs are only for the LNG commodity and its delivery to Revelstoke. The costs do not include any capital costs required for the onsite LNG vaporizing infrastructure or capital



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- 1 costs related to the conversion or upgrade of customers' propane appliances that would be
- 2 required to enable the use of natural gas via a virtual LNG pipeline.

- 3 While the use of larger B-train tankers could likely lower the per-unit cost of the LNG
- 4 transported, FEI has not investigated their use, or the use of alternate LNG supply, given the
- 5 gap in overall economics related to the LNG conversion.

- 6 Finally, FEI notes that the development of a business case to convert from propane to LNG
- 7 remains unaffected by the commodity cost amalgamation at Revelstoke. FEI will continue to
- 8 monitor and will consider the delivery of LNG if it becomes economic in the future.