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May 1, 2023

British Columbia Utilities Commission  
Suite 410, 900 Howe Street  
Vancouver, BC  
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Attention: Patrick Wruck, Commission Secretary

Dear Patrick Wruck:

**Re: FortisBC Energy Inc. (FEI)**  
**Regional Gas Supply Diversity (RGSD) Project Development Account**  
**Quarterly Progress Report No. 2 for the Period from January 1, 2023 to March 31, 2023 in Compliance with British Columbia Utilities Commission (BCUC) Order G-253-22**

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In compliance with BCUC Order G-253-22, dated September 14, 2022, granting approval, pursuant to section 60(1)(b) of the *Utilities Commission Act* (UCA), for the RGSD Project Development Account. Directive 2 of Order G-253-22 directed FEI as follows:

FEI is directed to file quarterly progress reports to the BCUC on work completed, anticipated work, and material developments on the potential RGSD Project, starting with the fourth quarter ending December 31, 2022, by no later than 30 days after the date of the quarter end.

Directive 3 of Order G-253-22 further directed as follows:

In lieu of the July 2023 quarterly report, FEI must provide as part of the FEI 2024 Annual Review:

- a. reporting to the BCUC on work completed, anticipated work, and material developments on the potential RGSD Project;
- b. an update of the costs incurred to date; and
- c. a proposal for the method and timing of the recovery of those incurred costs.

Attached is the second Quarterly Progress Report for the RGSD Project, which covers the period January 1, 2023 to March 31, 2023.

### **Request for Confidential Treatment of Appendix A**

FEI requests that Appendix A included with this Quarterly Progress Report be filed and held confidential by the BCUC, pursuant to Section 18 of the BCUC's Rules of Practice and Procedure regarding confidential documents as set out in Order G-72-23. FEI respectfully requests that the BCUC hold Appendix A confidential as the information is commercially sensitive, and if disclosed could harm, hamper, or prejudice active engagement with Indigenous communities and First Nations. Further, FEI requests that the confidential information remain confidential in perpetuity.

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC ENERGY INC.**

***Original signed:***

Sarah Walsh

Attachments



**FORTISBC ENERGY INC.**

**Regional Gas Supply Diversity Project**

**Quarterly Progress Report for the Period  
January 1, 2023 to March 31, 2023**

**Submitted to the  
British Columbia Utilities Commission**

**May 1, 2023**

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## 1. PROJECT BACKGROUND

### 1.1 PROJECT BACKGROUND

On June 1, 2022, pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), FortisBC Energy Inc. (FEI) filed an application (Application) with the British Columbia Utilities Commission (BCUC), for approval of a new non-rate base deferral account called the Regional Gas Supply Diversity (RGSD) Development Account, to capture actual development costs incurred for a potential RGSD Project (Project). In the Application, FEI proposed to file quarterly progress reports to the BCUC on work completed, anticipated work, and material developments, starting with the quarter ending at least three months after the BCUC's decision on the Application.

On September 14, 2022, the BCUC issued Order G-253-22 granting approval to establish the RGSD Development Account, a non-rate base deferral account attracting FEI's WACC return, to capture actual development costs incurred with respect to the potential RGSD Project, with disposition of the deferral account balance to be determined in a future proceeding.

Order G-253-22 directed FEI to provide Quarterly Progress Reports to the BCUC on work completed, anticipated work, and material developments on the potential RGSD Project, starting with the fourth quarter ending December 31, 2022, by no later than 30 days after the date of the quarter end. Order G-253-22 further directed that in lieu of the July 2023 quarterly report, FEI was to provide the update in the Annual Review for 2024 rates process, including an update of costs incurred to date and a proposal for the method and timing of the recovery of those incurred costs.

This is the second Quarterly Progress Report for the Project (Report) which covers the period January 1, 2023 to March 31, 2023.

## 2. PROJECT DEVELOPMENT STATUS AND ANTICIPATED WORK

### 2.1 PROJECT DEVELOPMENT WORK COMPLETED IN THIS PERIOD

In Q1 of 2023 the Project development work focussed on project planning activities to initiate expenditures as outlined in the Application. In this period:

- FEI appointed a full-time Project Controls position to assist with scheduling and monitoring of Project progress.
- FEI successfully completed a request for expressions of interest and identified three potential proponents capable of completing a Pre-FEED.
- FEI continued to engage with First Nations on the Project concept. Through meetings and other communications, FEI provided information on the Project, discussed challenges and opportunities and identified next steps for further engagement.

FEI extended Indigenous capacity funding agreements whose terms that were ending, in order to provide for the potential to progress work on the Project. The capacity funding agreements support Indigenous communities in their engagement with FEI on the Project, including supporting technical and economic working groups and engagement with community leaders and members. Additionally, a capacity funding agreement was signed with another First Nation this quarter.

Please see Confidential Appendix A for a summary of Indigenous engagement to date.

### 2.1.1 Project Schedule Summary

Table 2-1 below provides a summary of development activities that have been ongoing to the end of Q1 of 2023. At this time, FEI has no further updates to the RGSD Project schedule filed as Figure 5-1 in the Application. FEI plans to update the overall Project schedule in subsequent reports.

**Table 2-1: Status of Project Development Activities**

Timing	Activities	Status
Q1 2023	Advance Indigenous Nations engagement and stakeholder consultation efforts	In Progress
	Initiate and advance Indigenous Nations Partnership understandings	In Progress
	Initiate Pre-Front End Engineering Design to assist with Indigenous Nations input on pipeline route selection	Deferred to Q4 of 2023
	Advance commercial discussions with prospective shippers for potential capacity on RGSD Project pipeline	In Progress
	Develop Project Risk Register	To Start Q2 2023
	Develop project description and engagement plan	To Start Q2 2023

FEI plans to defer a Pre-FEED contract because additional review and analysis is needed prior to proceeding, specifically in areas related to the optimization with regional infrastructure, developments on decarbonization policies (i.e. Energy Action Framework), and Indigenous feedback.

### 2.1.2 Project Development Cost Summary

As of the end of Q1 2023, FEI spent \$2.56 million out of forecasted \$23.7 million. Table 1-2 shows development cost summary on an annual and a project phase gate basis.

Table 2-2: Project Development Cost Summary

Annual Cost Summary			
2021	2022	Q1 2023	Total Cost
\$0.47 million	\$1.43 million	\$0.66 million	\$2.56 million
Phase Gate Cost Summary			
Conceptual Phase (Pre-Phase 1) Nov 2021 to Sep 2022		Pre-FEED Phase Oct 2022 – Mar 2023	Total Cost
\$1.40 million		\$1.16 million	\$2.56 million

## 2.2 ANTICIPATED WORK PLAN FOR NEXT PERIOD

The next quarterly reporting period will cover the period from April 30 to June 30, 2023. FEI plans to file its next Quarterly Progress Report as part of 2024 Annual Review and intends to update BCUC on the project development activities as listed below in this section. Additionally, FEI will include the summary of the development work completed to date including any material developments on the Project, costs incurred to date and include a proposal for the method and timing of the recovery of costs incurred until second quarter of 2023.

### Engineering and Project Support

FEI anticipates that the following activities will be initiated and developed during the next quarterly reporting period.

- A first part of the Pre-FEED work consisting of an assessment of GHG emissions associated with the Project and a plan to achieve net zero emissions as per the new energy action framework which is created by the Province to help drive clean economic growth and meet BC's legislated climate targets.<sup>1</sup> This work will require consultation with BC Hydro and FortisBC Electric to determine power availability and costs as well as a hydraulics study to confirm the locations and size of the new compressor stations.
- Recruitment and filling of key functions in project organization

### Indigenous Engagement

Indigenous engagement is a priority for advancing this Project and FEI will actively further dialogue with Indigenous Nations. Engagement will continue to focus on FEI sharing preliminary

<sup>1</sup> [New energy action framework to cap emissions, electrify the clean economy | BC Gov News.](#)

1 Project information and gathering preliminary feedback on the Project, setting up mutually agreed  
2 upon pre-application engagement processes with First Nations, and continuing engagement  
3 according to those plans including discussion of early partnership understandings and technical  
4 items such as engineering, geotechnical and environmental work that is required for the  
5 development of a Project description and engagement plan to support Project applications,  
6 including developing and initiating project memoranda of understanding with Indigenous  
7 communities.

## 8 **Public Consultation**

9 FEI plans to commence engagement with local governments in 2023 beginning with communities  
10 anticipated to be most impacted by the Project.

## 11 **Renewable and Low Carbon Gas Supply**

12 FEI plans to advance feasibility work for the production of low carbon hydrogen and renewable  
13 gas, that would flow on the RGSD. FEI has several confidential projects that the company is  
14 assessing which could fit with the Project's concept.

## 15 **Regional Market Update**

16 There were no new material market developments with respect to regional gas infrastructure  
17 projects during this period. Overall regional market updates will be filed with the Commission as  
18 part of FEI's filing of its Annual Contracting Plan on May 1, 2023.

## 19 **3. CONCLUSION**

20 The Project development work remains on schedule and within the estimated Project  
21 development costs. During the next reporting period FEI will focus on continuing work on the Pre-  
22 FEED, which includes engaging with Indigenous communities, advancing engineering and Project  
23 support, and updating the overall Project schedule (given the deferral of some work indicated in  
24 this report).

Appendix A

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**INDIGENOUS ENGAGEMENT TO DATE**

**FILED CONFIDENTIALLY**