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March 15, 2021

B.C. Sustainable Energy Association c/o William J. Andrews, Barrister & Solicitor 1958 Parkside Lane North Vancouver, B.C. V7G 1X5

Attention: Mr. William J. Andrews

Dear Mr. Andrews:

Re: FortisBC Energy Inc. (FEI)

Biomethane Energy Recovery Charge (BERC) Rate Methodology – British Columbia Utilities Commission (BCUC) Decision and Order G-133-16 Compliance Filing – BERC Rate Assessment Report

Response to the B.C. Sustainable Energy Association (BCSEA) Information Request (IR) No. 1

On August 12, 2020, FEI filed the Application referenced above. In accordance with the BCUC Order G-35-21 setting out the Regulatory Timetable for the review of the Application, FEI respectfully submits the attached response to BCSEA IR No. 1.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Diane Roy

Attachments

cc (email only): Commission Secretary

Registered Parties



FortisBC Energy Inc. (FEI or the Company) Biomethane Energy Recovery Charge (BERC) Rate Assessment Report (Report)	Submission Date: March 15, 2021
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Topic: **BERC Rate Methodology** 1 1.0 2 Reference: Exhibit B-1, BERC Report, Figure 1: Monthly Net Customers Addition 3 and Cumulative Total Customers, page 6 4 1.1 Can FEI confirm that Figure 1 indicates an annual cycle of monthly biomethane 5 net customer additions, peaking in the late Fall and relatively low in April? If so, 6 why would this be? 7

Response:

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Confirmed. The net RNG customer additions tend to peak in the fall as the heating season starts, and then become relatively low in April through August in the summer season. This annual cycle is similar to the net customer additions of the residential and small commercial conventional natural gas customers.



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1	2.0	Topic:	BERC Rate Methodology
2		Reference:	Exhibit B-1, BERC Report, Figure 1: Monthly Net Customers Addition and Cumulative Total Customers, page 6
4 5 6		erosion of th	page 6 that "The temporary closure of the RNG Program led to the steady ne total number of customers enrolled, due to the ordinary level of customers rogram not being replaced by new participants."
7 8 9		2018, as b	n page 9 that "The Short Term BERC Rate sales volume then declined in oth UBC and the City of Vancouver executed long term contracts and the Long Term BERC Rate."
10 11 12 13		and and	FEI exercise control over the apparent trade-off between Short Term sales Long Term sales, coinciding with the new RNG long term contracts in 2018 the subsequent temporary closure of the RNG Program in 2019? If so, see explain FEI's decision-making process.

15 Response:

> FEI did not exercise control over customers switching from the standard short term rate to the contracted long term rate, beyond informing customers of their options and assisting them with their preferred approach. The option to enter into a long term contract was freely available to any interested large volume customers. UBC and the City of Vancouver chose to enter into long term contracts, as opposed to acquiring RNG via short term offerings, of their own accord. FEI did not know when signing these contracts that the program would be temporarily closed in 2019.

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1 3.0 Topic: Sales Volume

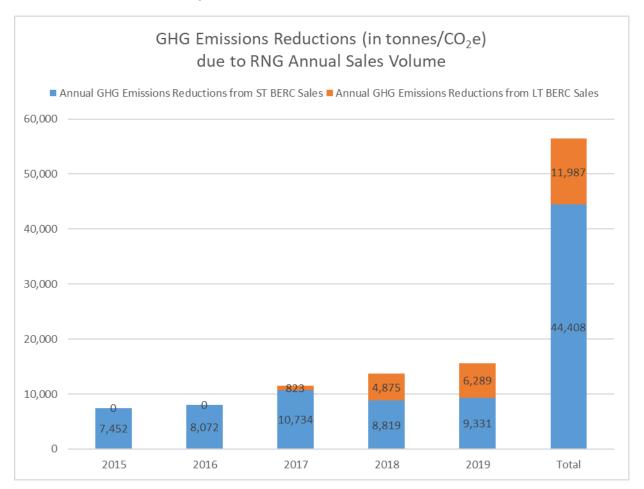
Reference: Exhibit B-1, BERC Report, Figure 3: RNG Annual Sales Volume, page

3.1 Please provide a figure like Figure 3 except showing annual GHG emissions reductions (in tonnes/CO2e) due to RNG sales for 2015 to 2019 and total.

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Response:

The following figure shows the annual GHG emissions reductions (in tonnes/CO2e) from RNG sales to Short-Term and Long-Term BERC rate customers for 2015 to 2019 and the total.





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1	4.0	Topic	•	Offsets
2		Refere	ence:	Exhibit B-1, page 11
3 4				t it purchased carbon offsets to fulfill a 90 TJ shortfall between RNG supply to customers for 2019.
5 6 7		4.1		e describe in more detail FEI's process for determining when and in what es it would purchase carbon offsets in lieu of supplying RNG to customers.
8	Respo	onse:		
9 10				responses to BCUC IR1 5.1 and 12.1 for details regarding carbon offset nortfalls in biomethane supply.
11 12				
13				
14 15 16		4.2		FEI cap the amounts of carbon offsets it would purchase in a year in lieu of ing RNG?
17	Respo	onse:		
18 19 20 21	volunta sales	ary RNo to custo	G custo	ne amount of carbon offset purchases; however, the goal is to provide omers with actual biomethane. FEI continues to monitor and curtail RNG in an effort to minimize the amount of carbon offsets purchased while new inline.



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1 2	5.0	Topic: Reference:	Supply/Demand Balancing for the RNG Program Exhibit B-1, BERC Report, Table 2: Contracted RNG Supply Projects,
3		Reference.	page 12
4 5 6 7	Resp		e provide a version of Table 2 showing the types of RNG supply (landfill, ge, organic waste, etc.) and the province for each Project.
8 9 10			esponse to BCUC IR1 3.1, which requests an update on projects listed in uded project type and province location in response to that IR.



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Supply/Demand Balancing for the RNG Program

2 Reference: Exhibit B-1, BERC Report, page 12

FEI says on page 12:

Topic:

"The current maximum amount of RNG that FEI can contract and remain within the existing Greenhouse Gas Reduction (Clean Energy) Regulation (GGRR) is approximately 8,900 TJs per year. FEI further <u>anticipates that it will enter into additional biomethane supply agreements before the end of 2020</u>, such that the total maximum supply under executed agreements could reach maximum volume currently set in the GGRR." [underline added]

6.1 Please update whether additional biomethane supply agreements have been entered into, such that the total maximum supply under executed agreements has reached the maximum volume currently set in the GGRR. If possible, please elaborate on when the GGRR maximum volume may be reached.

Response:

Please refer to the expanded and updated table in response to BCUC IR1 3.1. For discussion on reaching the maximum volume in the GGRR please refer to the responses to BCUC IR1 3.6, 3.7 and 3.10.



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1 7.0 Topic: Supply/Demand Balancing for the RNG Program

Reference: Exhibit B-1, BERC Report, Table 3: Total Expect RNG supply

3 volumes 2020-2024, p.13

Table 3: Total Expect RNG supply volumes 2020-2024

1	2
Year	Expected Total RNG Supply (TJ)
2020	290
2021	950
2022	3,850
2023	5,120
2024	5,580

7.1 Please provide a table similar to Table 3 except showing Total <u>Maximum</u> Contracted RNG supply volume.

Response:

Please refer to the response to BCUC IR1 3.1 for updated tables on RNG supply, although a more realistic measure of the supply ramp-up is to use total expected supply as indicated in response to BCUC IR1 3.7. RNG projects may not produce at their maximum contractual volumes for a variety of reasons.



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1	8.0	Topic:	Carbon Tax
2		Referen	ce: Exhibit B-1, BERC Report, footnote 7 on page 15
3		FEI says	s in footnote 7 on page 15:
4 5			Carbon tax was \$1.4898 since July 1, 2012, increased to \$1.7381 on April 1, 2018, and increased to 1.9864 on April 1, 2019."
6 7 8			Please confirm, or otherwise explain, that the carbon tax here is expressed in erms of \$ per GJ of natural gas.
9	Respo	nse:	
10	Confirr	ned.	



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1	9.0	Topic	: :	BVA E	Balanc	е									
2		Refer	ence:	Appli	cation,	Exhibit B	-1, Tal	ole 4,	page	15					
3		9.1	Does	the "-"	under	1-Jan-19	mean	that	there	was	a \$0	balance	in	the	BVA
4			accou	int? If no	ot, plea	se explain									
5															
6	Resp	onse:													

Response:

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Confirmed. The "-" under 1-Jan-19 means that there was a \$0 balance in the BVA account. 7



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1	10.0	Topic:		BVA Balance Transfer Rate Base Deferral Account				
2		Refere	ence:	Exhibit B-1, BERC Report, Table 8: BVA Balance Transfer, page 16				
3 4 5		Transf	er rate	"Table 8 present the costs transferred from the BVA to the BVA Balance base deferral account, as of January 1 of each year from the date of on of the new BERC rate methodology to date."				
6 7		In the 2016 Decision on page 45, the Panel directed FEI to recover the BVA balance through a rate rider:						
8 9 10 11			directs	der to provide the transparency directed in the 2013 Decision the Panel that the recovery of the BVA balance be through a rate rider from FEI's pass customers, effective January 1st of the subsequent year (BVA Rate."				
12 13 14 15		10.1		e explain how the BVA Balance Transfer Rate Base Deferral Account Is it amortized annually through a rate rider from FEI's non-bypass ners?				
16	Respo	nse:						
17 18				A Balance transfer account is collected annually from FEI's non-bypass 'A rate rider.				
19 20 21 22	rates t project	hrough ing the	FEI's A	approved in FEI's annual rates applications. When applying for test year Annual Review for Rates, FEI determines a proposed BVA rate rider by balance of the BVA Balance transfer account in the current year (the year on for the test year rates) for recovery starting January 1 st of the test year.				
23 24			-	, the BVA Balance for recovery through the 2021 delivery rate rider was s follows:				
25	1.	2019 a	ictual ei	nding balance in the BVA Balance Transfer Deferral, less				
26	2.	Project	tion of r	rider recoveries to be received in 2020, plus				
27	3.	Project	tion of 2	2020 year end balance transfer from the BVA, equals				
28 29 30 31	4.		tal BVA der² in 2	A Balance transfer account balance projected to be recovered by the BVA 2021.				

The 2021 BVA rate rider was calculated in FEI's Annual Review for 2021 Rates application filed in August 2020

The projected BVA Balance transfer account balance is divided by 2021 non-bypass volume to arrive at the \$/GJ BVA rate rider



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10.2 Please explain the year-to-year variations in the BVA Transfers shown in Table 8. Does FEI believe there is a trend?

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Response:

Table 8 in the Application represents gross costs transferred from the BVA to the BVA Balance transfer account. The amount transferred is then reduced by the tax amount, meaning that t is reduced by the tax recovery of the amount transferred. The table below summarizes the annual gross and net of tax amount BVA transfer amounts.

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Line	BVA Rider Deferral Account Continuity (\$000s)	2016	2017	2018	2019	Reference
1	Net of Tax BVA Transfer	2,203	1,866	2,702	1,917	
2	Tax Rate	26%	26%	27%	27%	
3	End of Year Gross BVA Transfer - Jan 1 following year open balance	2,977	2,522	3,702	2,626	Line 1 / (1-Line 2)

11 The number reported in Table 8 and line 1 in the table above is the Gross BVA costs in excess

- of BERC recoveries and ending inventory valued at the BERC rate that is transferred to the BVA
- 13 Balance transfer account. The BVA Balance transfer account balance is a product of the
- 14 following:
- 1. Volumes of RNG purchased
- Volume of RNG sold
- 17 3. Volume of ending inventory
- 18 4. Purchase price of inventory
- 19 5. Recovery price of RNG sales
- 20 6. General cost of the RNG program

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There does not appear to be a trend in the value transferred from the BVA to BVA Balance transfer deferral account.



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11.0 Topic: Churn Rate

2 Reference: Exhibit B-1, Appendix A, Table 2

11.1 Please discuss the differing churn rates shown between the different rate classes in Table 2 of Appendix A.

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Response:

- 7 The monthly churn rate for RS 1B ranges from 0.3 percent to 1.8 percent, but most months fall
- 8 between 0.7 percent and 1.2 percent. The churn rate for RS 1B is quite representative of the
- 9 ordinary rate of drop off from mass market customers, because this rate schedule has the most
- 10 number of participants. The churn rate of approximately 1 percent shows the monthly drop off
- 11 from the RNG program is not very significant.
- 12 Looking at the remaining rate schedules, the churn rates begin to become more variable since
- the comparatively limited number of customers enrolled produces larger churn rates when only
- 14 a few (or even 1) customer exits the program.
- 15 The monthly churn rate for RS 2B varies from a high of 7.2 percent to a low of 0 percent, though
- 16 is typically between about 1 and 2 percent. This shows the monthly drop off from the RNG
- 17 program is also not very significant for this rate schedule.
- 18 The average monthly churn rate each year for RS 3B, 5B and 11B, for 2016 to 2020, varies
- 19 significantly month over month because there are less than 20 customers in each of those rate
- 20 schedules, and a single customer drop off can swing the churn rate significantly. A discussion of
- 21 the churn rate for those rate schedules is not meaningful.

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11.2 Does FEI identify a particular threshold between churn rates that are not a concern and those that are? Please discuss.

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Response:

FEI has not yet witnessed churn rates that are particularly significant, and has therefore not established any specific thresholds beyond which it would have concerns. Please refer to the response to BCSEA IR1 11.1 for more discussion.



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1 12.0 Topic: RNG volumes of sales and revenues

2 Reference: Application, Exhibit B-1, Appendix A, Tables 3 & 4

12.1 Please provide a summary description of each RNG rate class.

Response:

The following provide a summary description of each RNG rate schedule, as per FEI's published tariffs. Some additional context is also provided for Rate Schedules 5B and 11B.

- Rate Schedule 1B Residential Biomethane Service³: Renewable natural gas rate for single-family residences and separately metered multi-family residences. This Rate Schedule is applicable to firm Gas supplied at one Premises for use in approved appliances for all residential applications in single-family residences, separately metered single-family townhouses, rowhouses, condominiums, duplexes and apartments and single metered apartment blocks with four or less apartments. This Rate Schedule is available in all territory served by FortisBC Energy, with the exception of the Municipality of Revelstoke, provided adequate capacity exists on the FortisBC Energy System.
- Rate Schedule 2B Small Commercial Biomethane Service⁴: This Rate Schedule is applicable to Customers with a normalized annual consumption at one Premises of less than 2,000 Gigajoules of firm Gas, for use in approved appliances in commercial, institutional or small industrial operations. This Rate Schedule is available in all territory served by FortisBC Energy, with the exception of the Municipality of Revelstoke, provided adequate capacity exists on the FortisBC Energy System.
- Rate Schedule 3B Large Commercial Biomethane Service⁵: This Rate Schedule is applicable to Customers with a normalized annual consumption at one Premises of greater than 2,000 Gigajoules of firm Gas, for use in approved appliances in commercial, institutional or small industrial operations. This Rate Schedule is available in all territory served by FortisBC Energy, with the exception of the Municipality of Revelstoke, provided adequate capacity exists on the FortisBC Energy System.
- Rate Schedule 5B General Firm Biomethane Service⁶: General firm renewable natural
 gas rate for the sale of firm gas, no portion of which may be resold, through one meter
 station to a customer. This Rate Schedule is applicable to larger volume Customers and
 is available in all territory served by FortisBC Energy, with the exception of the
 Municipality of Revelstoke, provided adequate capacity exists on the FortisBC Energy
 System.

https://www.cdn.fortisbc.com/libraries/docs/default-source/about-us-documents/regulatory-affairs-documents/gasutility/rateschedule_1b.pdf.

^{4 &}lt;a href="https://www.cdn.fortisbc.com/libraries/docs/default-source/about-us-documents/regulatory-affairs-documents/gas-utility/rateschedule_2b.pdf">https://www.cdn.fortisbc.com/libraries/docs/default-source/about-us-documents/regulatory-affairs-documents/gas-utility/rateschedule_2b.pdf.

⁵ https://www.cdn.fortisbc.com/libraries/docs/default-source/about-us-documents/regulatory-affairs-documents/gas-utility/rateschedule_3b.pdf.

^{6 &}lt;a href="https://www.cdn.fortisbc.com/libraries/docs/default-source/about-us-documents/regulatory-affairs-documents/gas-utility/rateschedule_5b.pdf">https://www.cdn.fortisbc.com/libraries/docs/default-source/about-us-documents/regulatory-affairs-documents/gas-utility/rateschedule_5b.pdf.



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- Rate Schedule 11B Biomethane Large Volume Interruptible Sales⁷: On-system interruptible sales rate for customers entering into a contract for the short-term sale and purchase of biomethane. This Rate Schedule is applicable to larger volume Customers seeking interruptible RNG service and is available in all territory served by FortisBC Energy, with the exception of the Municipality of Revelstoke, provided adequate capacity exists on the FortisBC Energy System.
- Rate Schedule 11B Long-Term Biomethane Large Volume Interruptible Sales: Onsystem interruptible sales rate for customers entering into a contract for the long-term sale and purchase of biomethane. This Rate Schedule is applicable to larger volume Customers seeking interruptible RNG service and is available in all territory served by FortisBC Energy, with the exception of the Municipality of Revelstoke, provided adequate capacity exists on the FortisBC Energy System.

12.2 Please provide in tabular form the annual average RNG sales quantities and revenues for each RNG rate class for each full year covered by Tables 3 & 4.

Response:

FEI understands this question to be asking for the annual totals (as opposed to averages) given that the question is asking for the information to be broken out by both year and rate schedule. The following tables provide the total annual RNG sales quantities and revenues for each RNG rate schedule for each full year covered by Tables 3 and 4. The tables are also updated to provide the annual data for 2020. Please also refer to the responses to BCUC IR1 17.1 and 18.1 for updated Table 3 and Table 4 of Appendix A to the Report to include monthly data up to the end of 2020 or later.

RNG Annual Revenue by Rate Schedule (\$000)								
Rate Schedule	1B	2B	3B	5B	11B	11B Long term	30 Off System	
2016	765.9	88.3	76.3	0.0	1,205.4	0.0	11.2	
2017	931.5	138.8	171.2	0.0	1,039.4	166.0	3.5	
2018	972.7	152.5	145.5	1.2	515.4	984.0	0.0	
2019	1,166.3	194.7	175.5	226.5	173.5	1,267.7	0.0	
2020	1,172.7	225.8	197.9	160.5	0.0	1,396.0	0.0	

https://www.cdn.fortisbc.com/libraries/docs/default-source/about-us-documents/regulatory-affairs-documents/gasutility/rateschedule 11b.pdf.



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RNG Annual Sales Quantity by Rate Schedule (TJ)									
Rate Schedule	1B	2B	3B	5B	11B	11B Long term	30 Off System		
2016	60.5	6.9	5.8	0.0	89.6	0.0	0.8		
2017	88.4	13.2	16.2	0.0	98.7	16.6	0.0		
2018	96.9	15.2	14.5	0.1	51.2	98.3	0.0		
2019	113.4	18.9	17.1	22.0	16.9	126.8	0.0		
2020	111.3	21.4	18.8	15.0	0.0	139.6	0.0		



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1	13.0	Topic	::	Future Review of RNG Program
2		Refer	ence:	Exhibit B-2, FEI 17 November 2020 Letter to BCUC
3 4		"FEI h Progra		menced planning for a comprehensive review and assessment of the RNG
5 6 7		13.1		e provide an update on FEI's planning for a comprehensive review and sment of the RNG Program.
8	Respo	onse:		
9 10 11	or bef	ore Jur	ne 30, 2	bit B-2, FEI will provide the BCUC and interveners with a status update on 2021, which will include expected timing for its comprehensive review and NG Program, currently anticipated for late 2021.