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May 16, 2022

Metro Vancouver Regional District
Metrotower III, 4515 Central Boulevard,
Burnaby, B.C.
V5H 0C6

Attention: Mr. Roger Quan

Dear Mr. Quan:

**Re: FortisBC Energy Inc. (FEI)
Revised Renewable Gas Program Application – Stage 2 (Application)
Response to the Metro Vancouver Regional District (Metro Vancouver)
Information Request (IR) No. 1**

On December 17, 2021, FEI filed the Application referenced above. In accordance with the amended regulatory timetable established in British Columbia Utilities Commission Order G-103-22, FEI respectfully submits the attached response to Metro Vancouver IR No. 1.

For convenience and efficiency, FEI has occasionally provided an internet address for referenced reports instead of attaching lengthy documents to its IR responses. FEI intends for the referenced documents to form part of its IR responses and the evidentiary record in this proceeding.

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) Revised Renewable Gas Program Application – Stage 2 (Application)	Submission Date: May 16, 2022
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1 **1.0 Reference: PROGRAM HISTORY AND EVALUATION,**
2 **Exhibit B-11, Section 2.1, p. 16**
3 **Further Amendment to the GGRR**

4 On page 25 of the Application, FEI states:

5 In May 2021, the provincial government amended the GGRR further ... Increasing
6 the amount of RNG, green and waste hydrogen, lignin and synthesis gas that
7 utilities can acquire and make available to their customers from five percent to
8 fifteen percent of the total annual supply of natural gas;

9 On page 29 of the Application, FEI states:

10 The 2018 CleanBC Plan enabled gas utilities to reduce emissions by increasing
11 the renewable content of their gas stream to 15 percent renewable content by
12 2030. Displacing 15 percent of the gas supply with Renewable Gas would increase
13 the annual supply of Renewable Gas in FEI’s system to approximately 30 PJ.

14 The provincial government’s approach with respect to the emissions of natural gas
15 utilities was recently updated in the CleanBC Roadmap with the introduction of a
16 GHG emissions cap...

17 The cap, as laid out in the CleanBC Roadmap, is set at 6.11 Mt of CO₂e per year
18 at 2030. This represents a 47 percent reduction in GHG emissions from 2007
19 levels, and will require utilities to increase Renewable Gas content, increase
20 investments in energy efficiency and employ other mechanisms to lower
21 emissions. FEI expects that Renewable Gas content exceeding 15 percent will be
22 required to meet this lower emission threshold by 2030. Details on the cap are
23 under development; however, FEI sees the potential Renewable Gas supply
24 requirements being between 45 and 65 PJs by 2030.

25 Section 2 of the Greenhouse Gas Reduction Regulation, B.C. Reg. 102/2012 (GGRR)
26 includes as a “prescribed undertaking” cases where:

27 (3.8) The public utility acquires renewable natural gas

28 (a) at costs that meet the following criteria, as applicable:

29 (i) if the public utility acquires renewable natural gas by purchasing it, the
30 price of the renewable natural gas does not exceed the maximum amount,
31 determined in accordance with section 9, in effect in the fiscal year in
32 which the contract for purchase is signed;

33 (ii) if the public utility acquires renewable natural gas by producing it, the
34 levelized cost of production reasonably expected by the public utility does
35 not exceed the maximum amount, determined in accordance with section

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1 9, in effect in the fiscal year in which the public utility decides to construct
2 or purchase the production facility, and

3 (b) that, in a calendar year, does not exceed 15% of the total amount, in GJ,
4 of natural gas provided by the public utility to its non-bypass customers in
5 2019, subject to subsection (3.9) and section 10.

6 (3.9) The volume referred to in subsection (3.8) (b) does not include renewable
7 natural gas acquired by the public utility that the public utility provides to a customer
8 in accordance with a rate under which the full cost of the following is recovered
9 from the customer:

10 (a) the acquisition of the renewable natural gas;

11 (b) the service related to the provision of the renewable natural gas.

12 Section 10 of the GRRR provides that:

13 (10) If a public utility does 2 or more of the following:

14 (a) acquires renewable natural gas in accordance with section 2 (3.8);

15 (b) produces or purchases hydrogen in accordance with section 6;

16 (c) purchases synthesis gas in accordance with section 7;

17 (d) purchases lignin in accordance with subsection 8,

18 the aggregate amount of all products must not exceed 15% of the total amount of
19 natural gas, in GJ, provided by the public utility to its non-bypass customers in
20 2019.

21 Section 18 of the *Clean Energy Act* provides that:

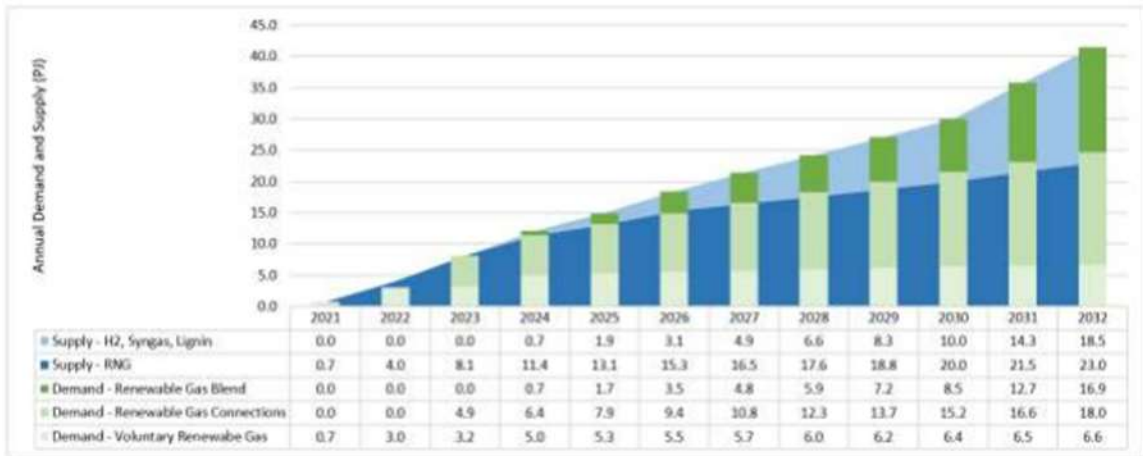
22 (1) In this section, "prescribed undertaking" means a project, program, contract
23 or expenditure that is in a class of projects, programs, contracts or expenditures
24 prescribed for the purpose of reducing greenhouse gas emissions in British
25 Columbia.

26 (2) In setting rates under the Utilities Commission Act for a public utility
27 carrying out a prescribed undertaking, the commission must set rates that allow
28 the public utility to collect sufficient revenue in each fiscal year to enable it to
29 recover its costs incurred with respect to the prescribed undertaking.

30 (3) The commission must not exercise a power under the [Utilities Commission](#)
31 [Act](#) in a way that would directly or indirectly prevent a public utility referred to in
32 subsection (2) from carrying out a prescribed undertaking.

33 On page 122 of the Application, FEI provides Figure 8-3 as shown below:

Figure 8-3: Forecast Volumes of Renewable Gas Supply, Customer Demand and Allocation to Sales Customers (PJ)



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1.1 Does FEI agree that the purpose and effect of the referenced sections of the GRR and the Clean Energy Act is to stipulate that the Commission must allow for rate levels and rate designs that ensure that a public utility can collect the costs of a prescribed undertaking, even if that means setting rates that would otherwise be inconsistent with usual ratemaking principles, including principles that are intended to avoid cross-subsidization and discrimination?

1.1.1 If not, please explain why not.

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Response:

As discussed in the responses to BCUC IR1 13.2, 16.1, 16.2 and 30.1, the Renewable Gas Program is fully consistent with longstanding ratemaking principles. FEI agrees that the effect of section 18 of the *Clean Energy Act* is that the BCUC must allow for rate levels and rate designs that ensure that a public utility can collect the costs of a prescribed undertaking. This may mean setting rates that would otherwise be inconsistent with usual ratemaking principles, including principles that are intended to avoid cross-subsidization and discrimination. This situation does not exist in this Application for the reasons noted in the responses to the above-referenced BCUC IRs.

1.2 Does FEI agree that sections 3.8(b), 3.9 and 10 of the GRR is intended to put a volumetric limit on the portion of a public utility’s renewable natural gas, hydrogen, syngas, and lignin portfolio over which the Commission may be obliged to vary its usual ratemaking principles, specifically setting that volumetric limit at 15% of the total amount, in GJ, of natural gas provided by the public utility to its non-bypass customers in 2019?

1.2.1 If not, please explain why not.

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2 **Response:**

3 Together, sections 4(3.8)(b), 4(3.9), 6(d), 7(2)(c), 8(1)(c) and 10 of the GGRR put a volumetric
4 limit on the amount of renewable natural gas, hydrogen, syngas, and lignin a public utility can
5 acquire, for which the BCUC must approve rate levels and rate designs that allow the public utility
6 to collect its costs, even if that means setting rates that would otherwise be inconsistent with usual
7 ratemaking principles, including principles that are intended to avoid cross-subsidization and
8 discrimination.

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12 1.3 Based on FEI's sales volumes, what is the volumetric limit in GJs described by the
13 cap in section 3.8(b) and 10 of the GGRR?

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15 **Response:**

16 The limit in place today is 31,000,000 GJ based on 15 percent of the total amount of natural gas
17 provided by FEI to its non-bypass customers in 2019. FEI expects that this limit will be increased
18 by the provincial government well-before it is reached.

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22 1.4 Please provide a version of Figure 8.3, showing the volume of renewable natural
23 gas, hydrogen, syngas, and lignin, if any, that exceeds the volumetric cap provided
24 in question 1.3.

25

26 **Response:**

27 Please refer to the response to BCUC IR1 3.1.

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31 1.5 Please explain whether the rates FEI is seeking within this Application (100 percent
32 renewable gas connection, voluntary renewable gas and baseline) would require
33 the Commission to vary its usual ratemaking principles for volumes of RNG,
34 hydrogen, syngas, and lignin that exceed the volumetric cap provided in question
35 1.3.

36 1.5.1 If so, please explain how rate-making principles for these rates differ from
37 normal rate-making principles, including the usual avoidance of rates that
38 involve cost cross-subsidization and rate discrimination.

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2 **Response:**

3 In this Application, FEI is not seeking approval of supply of Renewable Gas, including but not
4 limited to price, volume, type of Renewable Gas, etc. FEI has provided information on supply as
5 part of the Application in order to ensure an understanding of the supply ramp up, how that supply
6 will meet program design, as well as a forecast of the anticipated costs of Renewable Gas.
7 Further, the limit only applies to supply projects submitted to the BCUC under the GGRR. There
8 is no limit for projects that fall outside of the GGRR.

9 Please refer to the responses to BCUC IR1 13.2, 16.2, 23.4 and 30.1 which describe the pricing
10 of Renewable Gas Program offerings in the context of Bonbright rate-making principles, along
11 with additional criteria such as responding to government policy.

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1 **2.0 Reference: EVOLUTION OF CLIMATE CHANGE POLICY**
2 **Exhibit B-11, Section 3.5.4, p.16**
3 **Reducing Emissions in Existing Buildings**

4 On page 84 of the Application, FEI states:

5 FEI considered alternatives to respond to the need for change, including: simply
6 updating its voluntary renewable gas offering; a renewable gas blend for all sales
7 customers; and directing Renewable Gas to New Residential Connections.⁹³

8 ⁹³ New Residential Connections are all residential dwellings served by a service
9 line installed on or after a designated date, including new construction activity,
10 conversions and retrofits. FEI serves a range of residential dwellings, including
11 detached homes, semi-detached homes, row houses, duplexes and quadruplexes,
12 townhouses and multifamily condominiums under RS 1, RS 2, RS 3, or RS 5
13 depending on the volume of the gas service.

14 Metro Vancouver's *Clean Air Plan*, Action 2.1.1, adopted by the Metro Vancouver
15 Regional District Board in 2021, states as follows:

16 2.1.1 Greenhouse Gas Performance Requirements for Existing Large Buildings

17 Develop regulatory requirements for existing large buildings to meet greenhouse
18 gas emission performance targets, which would reach zero carbon emissions
19 before 2050. Requirements would apply to all existing commercial and large
20 residential buildings, and would include energy consumption benchmarking,
21 reporting and performance requirements, in coordination with BC Government
22 regulatory requirements. Any regulation should also require that emissions from
23 large buildings would not lead to local air quality that exceeds Metro Vancouver's
24 ambient air quality objectives, when also considering background levels. The
25 requirements should align with Strategy 2.4 on district energy systems and could
26 be developed with member jurisdictions. Public sector organizations could play a
27 leadership role by establishing zero emission targets for their own existing
28 buildings earlier

29 2.1 In the event that renewable gas is allowed as a compliance pathway for Metro
30 Vancouver's proposed greenhouse gas performance requirements for existing
31 large buildings, should a large residential (>25,000 ft²) building with an existing
32 gas connection be seeking to comply with these performance requirements using
33 renewable gas, please explain whether that building would be considered a
34 voluntary renewable gas program customer or a customer under the 100 percent
35 renewable gas connections rate.
36

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1 **Response:**

2 FEI is not familiar with Metro Vancouver’s proposed greenhouse gas performance requirements
3 compliance pathway for existing residential buildings. However, an existing residential building
4 with an existing gas connection, irrespective of its size, is not eligible to participate in the
5 Renewable Gas Connections service. Instead, these buildings would rely on the Renewable Gas
6 Blend or Voluntary Renewable Gas services to achieve any mandated GHG reductions. Only an
7 existing residential building, that has its service line removed, is torn down and rebuilt (as a
8 residential building), and as such, has a new service line, would be eligible for the Renewable
9 Gas Connections service.

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13 2.2 Please provide the definition of conversions and retrofits and please clarify the
14 difference between the two.

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16 **Response:**

17 Please refer to the response to BCUC IR1 18.2.

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21 2.3 In the situation where a building has an existing gas connection along with another
22 energy source, and is seeking to convert its other energy source to renewable gas,
23 thereby increasing its gas consumption and potentially requiring a larger
24 connection, please explain whether that would be classified as a conversion and
25 in doing so, qualify that customer for the 100 percent renewable gas connections
26 rate.

27

28 **Response:**

29 The situation described in the question would not be considered a conversion as there is an
30 existing gas service to the building. Therefore, it would not be eligible for the Renewable Gas
31 Connections service. FEI defines a conversion/retrofit as a residential building that does not have
32 a service line, who changes out equipment to use gas, and therefore, requires a new service line.
33 By this definition, a conversion/retrofit customer would be eligible for the Renewable Gas
34 Connections service.

35

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1 **3.0 Reference: PROPOSED RENEWABLE GAS PROGRAM**

2 **Exhibit B-11, Section 7.5, p. 109**

3 **Summary**

4 On page 109 of the Application, FEI states:

5 The Renewable Gas Program will allow FEI to deliver a Baseline of Renewable
6 Gas to all sales customers that can be topped up to 100 percent through the
7 Voluntary Renewable Gas offering if needed, while all New Residential
8 Connections will be permanently served with 100 percent Renewable Gas.
9 (emphasis added)

10 3.1 Is there an existing legal mechanism or framework that FEI will utilize to ensure
11 that the subsidy inherent in its proposed rate of 100 percent Renewable Gas
12 Connections will be permanent?

13 3.1.1 If so, please describe that mechanism.

14 3.1.2 If not, please describe what Fortis means by permanent service in this
15 context.

16
17 **Response:**

18 FEI disagrees with the premise of this question. Please refer to the response to BCUC IR1 13.2
19 for a discussion of the cost basis of the Renewable Gas Connections service.

20 Please also refer to the responses to City of Richmond IR1 3.2 and 3.4 regarding the permanence
21 of the Renewable Gas Connections service.

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25 3.2 Please explain what would happen if the proposed 100 percent renewable gas
26 connection rate were deemed inappropriate by the Commission in the future due,
27 for example, to changing government policy (such as rescission of the GGRR).
28 Specifically, please discuss if these customers would potentially face, in future
29 rates, an obligation to pay the full cost of the RNG used to serve them.

30

31 **Response:**

32 Please refer to the responses to BCUC IR1 44.2 and City of Richmond IR1 3.2 and 3.4.

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