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September 12, 2022

BrightSide Solutions
2855 128 Street
Surrey, B.C
V4A 3W9

Attention: Mr. Mark Grist

Dear Mr. Grist:

Re: FortisBC Energy Inc. (FEI)

Revised Renewable Gas Program Application – Stage 2 (Application)

Response to the BrightSide Solutions Inc. Information Request (IR) No. 2

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-165-22A for review of the Application, FEI respectfully submits the attached response to BrightSide Solutions Inc. IR No. 2.

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

1. Reference FEI Response to BrightSide IR1, 1 ii

"*FEI did not receive feedback through the survey on the pricing proposals in the Application. At the time of the market research, FEI had not yet determined the pricing concept for the Voluntary Renewable Gas service for NGV customers.*"

i. As the market research was conducted without any discussion of differential pricing strategies across customers who are all part of the natural gas class of service, how can the research be useful in informing a differential pricing strategy?

Response:

FEI's market research was not used to inform the pricing strategy described in the Application wherein NGV customers will pay the full average cost of RNG acquisition. Please refer to Sections 5.7 and 7.4.3.2 of the Application and the responses to BC Transit IR1 4.a, BCSEA IR1 4.15, and Brightside IR2 6.i where FEI discusses the reasons why it has proposed that NGV customers pay the full acquisition cost of RNG.

ii. Would it be useful to perform additional market research on the pricing strategy to determine:

a. How differential pricing will affect use of RNG for customers within the natural gas class of service that use the RNG for transportation.

b. How differential pricing will impact customers who have made investment decisions for gas powered vehicles and vessels.

c. How the pricing decision will impact the goals of BC Low Carbon Fuel regulation.

d. How the pricing decision will impact GHG reductions from RNG use overall.

e. How fluctuations in LCF credit price will affect the net benefit to transportation users.

Response:

FEI does not believe any additional market research would provide value to this process, as it would not alter the general principles that support FEI's proposed RNG pricing for NGV customers, as discussed further in Sections 5.7 and 7.4.3.2 of the Application and in the responses to BC Transit IR1 4.a, BCSEA IR1 4.15, and Brightside IR2 6.i.

2. Reference FEI Response to BrightSide IR1, 2 ii , citing FEI response to Translink IR1, 5

"…*FEI paused new customer enrollments in the Renewable Gas Program, and curtailed service to interruptible customers in order to keep demand more in line with supply. With the benefit of navigating this supply shortfall, and the addition of new supply contracts (as described in Section 6 of the Application), FEI is significantly better positioned to avoid an extended period of supply and demand imbalance in the future*."

i. As FEI is now better positioned to supply RNG, why are some transportation use customers still being told that RNG is not available for their use when they ask for supply?

Response:

At the time of filing this response, FEI is not aware of any transportation use customers being told that RNG is not available for their use when they ask for supply. The current RNG Program is open for participation to all customers. FEI's currently available supply may not yet be sufficient, however, to cover the entire quantity of RNG requested by some large volume consumers, including some NGV customers.

As described in Section 6 of the Application, FEI expects the supply of RNG to continue to increase in the coming years. As the volume of supply increases FEI will be able to progressively offer greater amounts of RNG to gas system customers.

ii. Are active sales efforts being made to sign up transportation users for the RNG program?

Response:

As is their normal course of business, FEI's NGV teams are in regular contact with NGV customers to discuss how FEI can help them achieve their energy objectives, including using RNG.

iii. What evidence can FEI provide that sales efforts to these customers are being made on an equal and non-discriminatory basis.

Response:

Enrollment into FEI's current RNG and future Renewable Gas Program will continue to be on a first come, first served basis and offered on an equal and non-discriminatory basis. FEI's Account Managers across all sectors, including NGV and commercial and industrial sectors, provide information to customers on a wide variety of energy solutions, including RNG.

3. Reference FEI Response to BrightSide IR1, 3

"*….as referenced in the CleanBC Plan, the BC LCFS will provide an economic incentive for low carbon fuels in the transportation sector*"

i. In this response, FEI appears to be justifying the higher price for Transportation use customers by noting that these customers receive an economic benefit from the use of RNG under BC's Low Carbon Fuel regulations. If FEI claws back some or all of this incentive through differential pricing, does this not undercut the economic incentive that was intended to be provided to these customers. Does this not gut the incentive from the government's regulation? Should a utility have the ability to undercut the intent of a duly enacted provincial regulation?

Response:

FEI is not "clawing back" incentives under the BC-LCFS, but is proposing that NGV customers pay a price for RNG that reflects FEI's average acquisition cost. FEI's proposal is a balanced approach that considers fairness from the perspective of all of FEI's customers, not only NGV customers. Please refer to the responses to BC Transit IR1 4.a and BCSEA IR1 4.15.

Under FEI's proposal, NGV customers will continue to be able to purchase RNG from FEI, and will continue to be able to generate and monetize credits under the BC-LCFS for the use of that RNG. The current credit pricing[1] in the LCFS market is resulting in a potential offset/reduction to the cost of RNG of $25.73/GJ. As such, with RNG priced at the current rate (commodity + carbon tax + $7), NGV customers currently enjoy a negative cost for RNG of -$11.92/GJ. Please also refer to the response to Brightside IR2 7i.

FEI will also continue to provide support for NGV customers through programs such as those that have been enabled under the GGRR. Through FEI programs, NGV customers have received substantial incentives under the GGRR, paid for by all FEI customers, to encourage the use of natural gas in vehicles. With the aid of these incentives, NGV customers and industry have benefitted from the lower cost of natural gas compared to diesel and the operational benefits that come from onsite energy delivery. The incentives under the GGRR have also enabled greater utilization of the gas system, all while reducing emissions in BC.

ii. The economic benefit to transportation users from BC's LCF regulation is determined by the market price of LCF credits. Credit pricing under the program

[1] Based on an Average Price per credit of $402.59 as indicated in the BC-LCFS Quarterly Credit Market Report for the second quarter of 2022, available at: https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/electricity-alternative-energy/transportation/renewable-low-carbon-fuels/rlcf017_-_low_carbon_fuel_credit_market_quarterly_report-july_2022.pdf.

has varied widely. If credit pricing falls (as has been the recent case in California) will transportation use customers be able to afford the higher price proposed under this application and still have a sufficiently robust business case to justify the use of RNG?

<u>Response:</u>

FEI is not able to determine if an individual customer will be able to afford the average cost of acquisition for RNG, as it will depend on a number of factors unique to that customer, as well as external factors such as the price of diesel, the price of natural gas, the market price of the BC-LCFS credits, as well as any other market credits that the transportation customer may be able to monetize, such as credits under the Federal Clean Fuel Regulation.

Please refer to the response to Brightside IR2 7i which provides the last four quarterly periods of BC-LCFS credit pricing and how they compare to the cost of RNG.

4. Reference FEI Response to BrightSide IR1, 3 iv

"FEI assumes that BrightSide had intended the question to be "Is RNG a superior product to regular NG?" On this basis, FEI clarifies that the environmental attributes associated with RNG have value above conventional natural gas when they can be monetized. NGV users have this ability, whereas FEI's other sales customers do not."

i. The above response and the FEI response to BrightSide IR 1, 4 implies that the RNG only has value above NG if the environmental attributes can be monetized. Please confirm that RNG has greater value than NG by nature of its lower carbon intensity, or otherwise explain why FEI has developed an RNG program for all customers.

Response:

Please refer to Section 2 of the Application which explains that the RNG Program was primarily developed in response to government policy and regulations, and more specifically the 2010 *Clean Energy Act*.

For clarity, FEI recognizes that RNG may have value to some customers that goes beyond the monetization of environmental attributes. As FEI noted in the response to BCUC IR1 29.1, it may be that some program participants are more concerned with the principle behind signing up for the Voluntary Renewable Gas service, and for these customers there is value in voluntarily incurring additional cost in support of reduced GHG emissions. However, customers are also sensitive to the financial impacts of purchasing RNG. In FEI's view, the ability to monetize environmental attributes, or otherwise realize a financial benefit from using RNG (e.g., by avoiding costly capital upgrade projects and/or switching to and consuming electricity), is a primary determinant in how customers assess the value of RNG.

ii. Please confirm that the RNG program was developed in advance of any LCF monetization ability.

Response:

Confirmed. To FEI's knowledge, the ability to generate and monetize credits under the BC-LCFS began no earlier than 2013, after the initial launch of FEI's RNG Program.

iii. Please confirm that for customers that are seeking to reduce the carbon impact of their operations, RNG has greater value than NG, regardless of whether they are a transportation user or heating user.

<u>Response:</u>

Confirmed.

5. Reference FEI Response to BrightSide IR 1, 4

"*FEI does recognize the environmental benefits of providing Renewable Gas in the heavy duty transportation sector. As noted in FEI's response to Brightside IR1 3.i, the BC-LCFS provides the economic incentive to adopt low carbon fuels. Emissions reduction goals for natural gas utilities such as FEI are separate from the transportation pathway, so that Renewable Gas provided by FEI to the transportation sector will not contribute to the CleanBC goal for natural gas utilities of a 47 percent reduction in GHG emissions from the use of conventional natural gas.*"

i. Why does FEI not get credit for GHG reductions from the use of RNG in transportation applications under the CleanBC program? What are the consequences of this to FortisBC customers and to FortisBC shareholders?

Response:

FEI understands that the Province intends to delineate GHG emissions reductions between the transportation and buildings/industry sectors. The Greenhouse Gas Reduction Standard (GHGRS) announced in the CleanBC Roadmap applies only to the buildings and industrial sectors. As such, the Province is accounting for GHG emission reductions achieved in other sectors, like transportation separately. At this time, FEI is unable to speculate on any consequences to FEI customers or shareholders as the GHGRS has not yet been fully developed.

ii. Please confirm that GHG reductions from transportation use of RNG are greater than the GHG reductions from use of RNG in heating applications.

Response:

Generally speaking, the GHG reductions from displacing diesel fuel or gasoline with RNG are greater than from displacing conventional natural gas. Please also refer to the responses to BC Hydro IR1 1.6, 1.9 and 1.10.

iii. Does the fact that FEI gets credit for GHG reductions for the built environment and not for transportation use, lead to sub-optimal decisions on resource allocation for a scarce resource like RNG?

Response:

No. The proposals in this Application are just and continue to allow for fair access to the gas system, including access to RNG. Under the current and proposed Renewable Gas Program, NGV customers continue to have access to acquire RNG from FEI.

iv. It appears that CleanBC program goals are creating an environment where FEI is incented to discriminate between customers who are all within the natural gas class of service. Please confirm or provide an explanation as to why this is not the case.

Response:

Not confirmed. FEI is not unjustly discriminating between customer groups. All customer groups have access to acquire RNG. Further, FEI is not discouraging the use of RNG for transportation applications through the design of the revised Renewable Gas Program. Please refer to Section 7.4.3.2 of the Application, and the responses to BC Transit IR1 4.a, BCSEA IR1 4.15, and Brightside IR2 6i, for the rationale for why FEI proposes that NGV customers pay the average cost of RNG acquisition.

v. Would it make sense for FEI to work with the CleanBC program administration to enable FEI to get credit for GHG reductions for transportation use?

Response:

FEI is working with the provincial government to inform all relevant aspects of the CleanBC policy framework.

vi. Do the goals of the CleanBC Roadmap trump the goals of the LCF regulation from a legal perspective?

Response:

FEI disagrees with the premise of the question. The CleanBC Roadmap is the Province's economy-wide climate plan and includes policy direction for both the creation of a Greenhouse Gas Reduction Standard (GHGRS) applying to buildings and industry and amendments to the BC-LCFS applying to the transportation sector.

Under FEI's proposal, NGV customers will continue to have access to RNG and will continue to be able to generate and monetize credits under the BC-LCFS from the use of RNG.

6. Reference FEI Response to BrightSide IR1, 7 iv

"*Please refer to the responses to BCUC IR1 13.2, 16.2, 23.4, 30.1, and BCSEA IR1 4.15.*"

BrightSide believes that the question posed in IR1, 7 iv is not adequately addressed in the responses cited by FEI. FEI has stated that "*Today, NGV customers can access the BC-LCFS credits, while the building sector 3 customers cannot, suggesting a need to align the offering for NGV customers with existing 4 policy." (Section 5.7.2 BC's Low Carbon Fuel Standard) In addition FEI states in the response to IR1, 3 iv "…that the environmental attributes associated with RNG have value above conventional natural gas when they can be monetized. NGV users have this ability, whereas FEI's other sales customers do not.*"

i. The above referenced sections indicate that the reason Transportation use customers are being asked to pay the higher rate is based on "value of service" pricing principles rather than fair apportionment of **costs**. Hence BrightSide requests a direct answer to IR. 1, 7 iv.

Response:

Today, customers using RNG for transportation (NGV customers operating on-road vehicles or marine vessels) pay the same price for RNG as all other customers (i.e., those using it to heat their homes, cook their food, and/or operate their commercial or industrial machinery). All customers pay approximately $13.80 per GJ of RNG, which is about $10 less than what it costs on average for the utility to acquire it. Since FEI recovers all the costs of buying RNG from its customer base, if one group is paying less than the cost to acquire it, then the other group is covering that cost.

In the Application, FEI proposes to sell RNG to transportation customers at the full cost of acquisition (about $24 per GJ) for the following reasons:

1. The transportation fuel market is viewed by FEI as being workably competitive, with multiple fuels being offered by parties that are not subject to regulated pricing. Under these circumstances, it is entirely appropriate for FEI to price its offering in this market on the same basis (i.e., at "what the market will bear"). FEI's views are that the eligibility of RNG transportation customers to qualify for BC-LCFS carbon credits forms part of the market in determining "what the market will bear."

2. As discussed above, customers using RNG for transportation have access to the BC-LCFS, a provincial policy which FEI has no control over, where transportation customers can monetize the credits earned from using less carbon intensive fuels. Today, when a transportation customer buys RNG at $13.80 per GJ and then subsequently monetizes the credit earned through the BC-LCFS they are effectively getting the RNG for very low cost, free, and at the time of this filing, for less than $0. As such, transportation customers are still being subsidized for using a low carbon intensity fuel such as RNG, but via a government program instead of via other FEI customers.

3. The CleanBC Roadmap introduced a new cap on natural gas utilities to reduce GHG emissions from the use of conventional natural gas in certain sectors of the economy, including buildings and industry but not transportation, to 47 percent lower than 2007 levels, by 2030. As a result of this provincial policy, any volume of Renewable Gas sold to NGV customers means that FEI ratepayers must purchase additional Renewable Gas to achieve the 47 percent reduction target. Should these volumes be sold to NGV customers at less than the cost of acquisition, FEI ratepayers would bear the cost of reducing the emissions of the transportation sector in addition to the cost of reducing the emissions for the proposed GHG emissions cap for gas distribution utilities.

FEI does not believe that it is the intention of provincial policy to impose additional cost burdens on home and business owners to the benefit of the transportation sector that already benefits from the carbon market under the BC-LCFS. Such an outcome would be neither "fair nor reasonable". Setting the price of RNG for transportation customers at the full cost of acquisition is in line with fair apportionment of cost principles.

7. Reference Section 5.7.2 BC's Low Carbon Fuel Standard 2

"Today, NGV customers can access the BC-LCFS credits, while the building sector customers cannot, suggesting a need to align the offering for NGV customers with existing policy."

i. Market price for BC LCFS has varied from $35/credit to over $500 per credit. If credit prices fall from current levels how will RNG pricing be adjusted for Transportation users? How will this be administered and tracked?

Response:

FEI is not proposing to adjust the price for RNG based on the changes in the market price for BC-LCFS credits.

As the question suggests, pricing in the credit transfer market has varied, with the last four quarterly periods' credits being valued at a maximum price of $519.19 in Q4 2021 and a minimum price of $340 in 2022.[2] A carbon credit price of $519.19/credit is equivalent to $33/GJ. At this price, NGV customers that utilize BC-LCFS credits are receiving a net benefit by way of a negative cost for RNG.

Please see the table below which illustrates the net cost of the RNG commodity (commodity cost less BC-LCFS credit market revenues) based on the most recent pricing of credits in the BC-LCFS credit market. The results in the table are based on the assumption that RNG is sold to NGV customer at the full cost of RNG acquisition; a value of $23.40/GJ has been used, consistent with the responses to Translink IR1 7.2 and City of Richmond IR1 9.2.

Table 1: BC-LCFS Credit Pricing and Resultant Net Cost of RNG

Time Period	Average Credit Price ($/Credit)	Net Cost of RNG ($/GJ)
Q2 2022	402.59	$ (2.32)
Q1 2022	467.32	$ (6.45)
Q4 2021	483.25	$ (7.47)
Q3 2021	472.32	$ (6.77)

Source: First two columns from the Low Carbon Fuel Credit Market Report - Quarterly

2 https://www2.gov.bc.ca/assets/gov/farming-natural-resources-and-industry/electricity-alternative-energy/transportation/renewable-low-carbon-fuels/rlcf017_-_low_carbon_fuel_credit_market_quarterly_report-july_2022.pdf.

8. Reference FEI Response to BrightSide IR1, 8 i

FEI disagrees with the premise of the question that FEI's proposed Renewable Gas Program offerings discriminate on price for Renewable Gas for transportation customers. FEI will be providing Renewable Gas at the cost of acquisition, just as it provides natural gas used as CNG at the cost of acquisition. Renewable CNG consumers will continue to receive BC-LCFS credits, which is an effective incentive for transportation companies to adopt Renewable CNG at the cost of acquisition, and none of the value of the BC-LCFS credit will be transferred to FEI.

i. With one set of customers paying a subsidized price and the other set of customers paying a different price how is it possible that this is not price discrimination? Please explain on a "cost of service" basis rather than on a "value of service" to customer basis.

Response:

The following response is provided by Concentric.

The distinction here does not constitute unjust discrimination because the two groups of customers are very differently situated. Transportation customers operate in a workably competitive market where viable low-carbon options are provided by other unregulated providers and do not require the protection offered by regulated cost-based rates. FEI pricing its service to that segment on a value of service basis is appropriate in a competitive market. Conversely, only FEI provides RNG to non-transportation customers located on its network, and regulated rates apply to this service. For service to these customers, FEI has applied cost-based ratemaking principles on a consistent and equitable basis.

ii. Why not have all customers pay either the full cost of acquisition, or all pay a somewhat higher subsidized price than proposed in the application?

Response:

Please refer to the response to Brightside IR2 8i for a discussion of the basis for this pricing distinction.

iii. If transportation users cease to use RNG what will be the impact on GHG emissions?

<u>Response:</u>

Please note that responding to this question with precision would require significant assumptions on volumes of RNG, counterfactual use of RNG in specific sectors and applications, and counterfactual low-carbon fuels used instead of RNG.

However, generally speaking, if the BC-LCFS endures and compliance is maintained, there should be no impact on GHG emissions if transportation users cease to use RNG. Because the BC-LCFS is provincial law and will mandate a specific carbon intensity improvement, removal of RNG would necessitate an alternative fuel/action to replace the GHG emissions reductions provided by RNG. In other words, because the BC-LCFS is prescriptive on GHG reduction outcomes and not fuel consumption, then there would be no impact on GHG emissions by removing RNG, as another low-carbon fuel would be required to fill in the gap left by RNG.

9. Reference FEI Response to BCSEA IR1, 4.15

*"Overall, this information indicates that NGV customers are not similarly situated to non-NGV sales customers. Charging a different price for a different service is just discrimination where that service is distinguishable from the default service, **and** where the value of that service to the customer is materially different. In FEI's proposal, NGV customers voluntarily pay FEI to acquire fully- decarbonized supply, which is distinguishable both as a matter of cost causation and value. Therefore, charging the directly assigned stand alone cost to those customers is "just discrimination".*

i. How is the RNG service provided to a heating use customer "distinguishable" from the RNG service provided to a transportation use customer?

Response:

The following response is provided by Concentric.

This question focuses on the summary paragraph of a multi-paragraph response that clearly differentiates heating customers from transportation customers. First, service to NGV RNG customers is provided in a workably competitive market where prices should reflect the value of service to customers. In addition, this response notes that RNG has a higher value to NGV customers than to other customer types. NGV customers receiving CNG service and LNG service in British Columbia are eligible for Part 3 fuel supplier status under the BC-LCFS. NGV customers who purchase their own gas supply from a gas marketer are also eligible. Part 3 fuel suppliers that reduce the carbon intensity of their fuel relative to the baseline carbon intensity identified in the BC-LCFS can generate credits which can be sold in the credit market. In effect, the current BC-LCFS provides these customers with a financial incentive to reduce their GHG emissions by purchasing RNG, as discussed in Section 5.7.2 of the Application. This forms the basis for a conclusion that there is a distinction.

ii. Does the utility's cost of service change depending on the customer's use?

Response:

The following response is provided by Concentric.

Assuming that the term "cost of service" reflects all elements of a utility's ratemaking process, the answer is yes. The ratemaking process includes consideration of the cost of service, value of service and other economic principles.

iii. Are not both services distinguishable from the default conventional NG service?

Response:

The following response is provided by Concentric.

The default service referred to in the response to BCSEA IR1 4.15, as quoted in the preamble to this question, is conventional natural gas with the Renewable Gas Blend. The Voluntary Renewable Gas service is distinguishable because customers have access to this default service, but voluntary customers choose to purchase a higher volume of RNG. This applies to Voluntary Renewable Gas service customers for any use.

iv. The response indicates that both tests are required (service is distinguishable and value of that service is different) Please comment.

Response:

The following response is provided by Concentric.

It is correct that both principles are required in order to establish different pricing, when value of service principles apply. In general, the fact that different customers are not similarly situated is sufficient to address concerns about unjust discrimination. In this case, Renewable Gas service is distinguishable from the default service for both heating use and transportation use customers. For a more detailed description of the ratemaking principles involved in FEI's differential pricing proposal, please refer to the response to BCUC IR1 13.2.

v. How does FEI determine the true value to the customer? Some customers, including heating use customers, are highly motivated to use RNG to achieve environmental and social objectives, which may have value in their organization beyond LCF credit value. Under the proposed application the only value being considered re differential pricing is the LCF credit value. Is this a fair approach?

Response:

FEI is not in a position to determine how individual customers value their consumption choices as those choices are up to each individual customer. Please refer to the response to BCUC IR1 28.4 for more details supporting this response.

It is not true that under FEI's proposals the only value being considered regarding differential pricing is the BC-LCFS credit value. Please refer to the response to Brightside IR2 6i for a discussion of why FEI's proposal is a fair approach.

10. Denial of Service Under RS 11b

i. Under RS11b transportation use customers retain ownership of the RNG when it is liquefied or compressed into a transportation fuel; hence the customer retains LCF Credit generation rights. Under other tariff's such as RS 46 the customer may or may not retain LCF Credit generation rights depending on tariff interpretation. Hence the value to the customer may be different. How will FEI price RNG to customers who may not be able to generate LCF Credits?

Response:

As proposed in the Application, the price for RNG will be consistent for all NGV customers. NGV customers' eligibility for BC-LCFS credits will be pursuant to the *Renewable and Low Carbon Fuel Requirements Regulation*, which is not administered by FEI.

Under RS 46, FEI customers can either enter a Liquefied Natural Gas Sales and Dispensing Agreement (Sales Agreement) or a Transportation Agreement. Under the Sales Agreement the customer purchases LNG from FEI, which could include natural gas or RNG. Under the Transportation Agreement, the customer supplies their own gas to FEI for liquefaction and dispensing and the customer is eligible to purchase RNG from FEI under Rate Schedule 11B.

Pursuant to section 6.4 of RS 46, the title transfer of the gas is different under the two RS 46 services, which impacts a customer's ability to retain the BC-LCFS credit. Under a Sales Agreement, FEI retains title to the gas while the LNG is produced, and therefore, FEI is entitled to the BC-LCFS credit. However, under a Transportation Agreement, the customer retains title to the gas when the LNG is produced, so the customer is entitled to the BC-LCFS credit.

Upon the BCUC's issuance of a final determination on the RNG pricing for NGV customers in this proceeding, FEI will consider amendments to RS 46 to allow Sales Agreement customers to retain the BC-LCFS credit. Please also refer to the response to Brightside IR2 3i.

ii. Does FEI have the right to determine which tariff a customer can buy RNG under in order to determine which party (Customer or FEI) shall have LCF credit generation rights?

Response:

The applicability of each of FEI's approved tariff rate schedules is set out as part of the terms of the tariff. NGV customers are typically served under RS 5 (bundled Sales Service – includes commodity and delivery), RS 25 (T-service – includes delivery, while commodity is provided by the customer through a marketer/shipper agent) or RS 46 (LNG service either bundled Sales Service or T-service). If a customer elects to take some of its commodity as RNG, a specific RNG rate schedule will be applicable. For example, a customer served under RS 5 would take the elected portion of RNG service under RS 5B. Any customer served under T-service would take RNG under RS 11B which is the only applicable RNG rate schedule for transportation service customers.

In cases when it may be unclear which is the most applicable rate schedule, Section 4.3 of FEI's General Terms and Conditions (GT&Cs) indicates that FEI has the right to review, change, or apply the appropriate rate schedule to the customer. However, the appropriate rate schedule is not based on who receives BC-LCFS credits.

iii. If so, is it fair to have a customer pay full acquisition cost for RNG and not gain LCF credit rights?

Response:

Please refer to the response to Brightside IR2 10.i.

11. Reference FEI Response to BrightSide IR1, 9 i

FEI disagrees with the characterization of the RNG price as being "subsidized".

i. Why does FEI disagree with the characterization of RNG price as being subsidized, when the true cost of acquisition is much higher than the cost being charged and the differential is borne by all rate payers?

Also please provide more detail on the calculation of the $103 million estimate by showing assumed transportation demand by year and assumed pricing of the sales to the Transportation customers versus pricing to all other customers. In doing so please reconcile the estimate with the existing demand from transportation which is understood to be in the range of 250,000 GJ. (e.g. existing demand x acquisition cost premium of ~$10 is $2 million) How do we get to $130 million over the 2024-2026 time frame?

Response:

FEI disagrees that the proposals in this Application create a subsidization of RNG across its customer groups. Please refer to the response to BCUC IR1 13.2i.

FEI's referenced response to BrightSide IR1 9i indicated that the costs transferred to other ratepayers was $103 million, not $130 million. Based on the data underlying the analysis in this Application, FEI has provided the requested calculation of the $103 million[3] from its response to BrightSide IR1 9i assuming that the current RNG Pricing mechanism continues to 2030. Please refer to the table below.

FEI notes that in this question BrightSide specified a timeframe of 2024 to 2026; however, in BrightSide IR1 9i the timeframe requested was 2023 to 2030. FEI has provided the timeframe as originally requested.

Finally, FEI has forecast demand from the NGV sector based on its knowledge of the existing and potential market and does not agree with the 250,000 GJ demand included in this question.

[3] FEI's response to BrightSide IR1 9i indicated the costs transferred to other ratepayers was $103 million, not $130 million.

Table 1: Transfer of costs from NGV to all Non-Bypass Customers Assuming Current RNG Pricing Mechanism

Line No.	Particulars	Unit	2023	2024	2025	2026	2027	2028	2029	2030	Total	Reference
1	**RG Acquisition Cost**	**$/GJ**	**23.52**	**24.27**	**24.84**	**25.33**	**25.76**	**23.85**	**24.06**	**24.31**		
2												
3	Cost of Gas	$/GJ	3.84	3.84	3.84	3.84	3.84	3.84	3.84	3.84		
4	Carbon Tax	$/GJ	3.29	4.02	4.75	5.48	6.21	6.94	7.67	8.40		
5	Premium	$/GJ	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00		
6	**BERC**	**$/GJ**	**14.13**	**14.86**	**15.59**	**16.32**	**17.05**	**17.78**	**18.51**	**19.24**		Sum of Lines 3 through 5
7												
8	NGV Demand (RS 25 & 46)	TJ	895	1,400	1,619	1,744	1,865	1,988	2,090	2,172	13,773	
9												
10	**Subsidization by FEIs non-bypass customers**	**$000**	8,407	13,161	14,979	15,706	16,244	12,052	11,601	11,003	**103,152**	(Line 1 - Line 6) x Line 8

"The proposals in this Application are fair and as such, FEI cannot calculate the requested information."

ii. Let me rephrase the question. If all parties were treated the same with respect to RNG pricing, and NGV RNG demand was 1.5PJ, of the total demand of 30 PJ, how much would the transportation demand for RNG add to the annual per customer costs for other rate payers over the period from 2023 to 2030?

Response:

FEI notes that the average NGV demand volume is 1.7 PJ per year (13.8 PJ / 8 years) rather than the 1.5 PJ per year of demand included in the question.

As indicated in response to Brightside IR1 9.i, if NGV customers paid the same as other Voluntary Sales Service customers (i.e., the $7 premium) instead of the average acquisition cost, then the additional costs borne by all sales service customers would be $103 million, with the details provided in the response to Brightside IR2 11i.

12. Reference FEI Response to BrightSide IR1, 11 i

No, FEI does not believe the proposed price of Renewable Gas for NGV customers will result in less demand in the transport sector as the BC-LCFS already incentivizes NGV customers to purchase RNG. NGV customers using CNG and LNG continue to be eligible for Part 3 fuel supplier status under the BC-LCFS.

i. Is it reasonable to assume that RNG demand in transportation is perfectly inelastic? (The Proposed changes to RNG pricing will transfer more than half the incentive provided by the BC LCFS program from transportation customers to Fortis. In addition customers will have to pay the higher cost of RNG approximately 18 months in advance of receiving LCF Credit revenue and the customers bear the LCF Credit price risk in this period.

Response:

FEI believes it is reasonable to assume the NGV demand for RNG will not be impacted by the change in price based, in part, on the net cost analysis included in the responses to City of Richmond IR1 9.2, TransLink IR1 7.2, and Brightside IR2 6.i.

FEI notes that the following statement in the question is incorrect: "The Proposed changes to RNG pricing will transfer more than half the incentive provided by the BC LCFS program from transportation customers to Fortis" [sic]." Under the existing voluntary RNG Program, it is FEI's non-bypass customers that are bearing the discrepancy between what FEI is paying for RNG supply, and what participants in the program are paying for RNG. Under the proposed pricing structure for RNG under the revised Renewable Gas Program, NGV customers would pay the full cost of acquisition of RNG supply, thus relieving the other non-bypass customers of having to subsidize the price of RNG to this group of customers. FEI itself neither benefits nor is disadvantaged; rather it is FEI's customers that are affected by program pricing structures.

Please also refer to the response to Brightside IR2 3i.

13. Reference FEI Response to BrightSide IR1, 16 GGRR Incentives

NGV customers have benefited from programs enabled by the GGRR, such as ratepayer-funded incentive programs to offset the higher cost of natural gas-powered vehicles and vessels, as well as ratepayer supported CNG and LNG fueling facilities for which rates are designed to recover less than 100 percent of the cost of service of those facilities.

i. Please confirm that the GGRR is a regulation under the Clean Energy Act and incentives provided under that program are separate and distinct from the provisions of the LCF Regulations made under the Low Carbon Fuels Act.

Response:

Confirmed, the GGRR and the *Low Carbon Fuels Act* are two separate pieces of legislation.

FEI's proposal to set the price for RNG sold to NGV customers to the full acquisition cost is unrelated to the incentives provided through the GGRR. As per FEI's response to Brightside IR1 16i, FEI does not link the GGRR incentives and the RNG pricing proposed in this Application.

The response to Brightside IR1 16i illustrates FEI's commitment to the NGV sector and that FEI does not view NGV customers as "second class customers" as the preamble to that IR suggested.

ii. Please confirm that the cost of incentives provided under the GGRR are being recovered through utility rates applicable to all non-bypass customers; hence there is no need for FEI to recover additional funds from Transportation users (i.e. from higher RNG prices than other users) to cover these expenditures.

Response:

Not confirmed. The incentives provided under the GGRR are recovered from all non-bypass customers and are unrelated to the proposals in this Application to set the price for RNG to NGV customers to the full cost of acquisition.

iii. Please confirm that the initial GGRR incentives were established years in advance of the first generation of LCF credit revenue (2015) and that LCF credit revenues were not a part of the justification for the GGRR program.

Response:

Confirmed.