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September 12, 2022

Movement of United Professionals
c/o Allevato Quail & Roy, Barristers and Solicitors
405-510 West Hastings St.
Vancouver, BC
V6B 1L8

Attention: Mr. Jim Quail

Dear Mr. Quail

Re: FortisBC Energy Inc. (FEI)

Revised Renewable Gas Program Application – Stage 2 (Application)

Response to Canadian Office and Professional Employees Union, Local 378 (known as Movement of United Professionals or MoveUP) 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 MoveUP 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. Municipal Acceptance of Renewable Gas Connections Rate Proposal

1.1 Please reproduce the question and response in CEC IR 63.1 to FortisBC (including the preamble) in the 2022 Generic Cost of Capital Proceeding.

Response:

The requested question and response are reproduced below.

63. Reference: Exhibit B1-11, CEC 1.2.2

> 2.2 Please confirm that investment of capital in the securities of other comparable corporate investment opportunities would presume that these entities also have obligations to comply with government legislation and operate with regard to environmental and other social concerns in the public interest for the benefits of its customers.
>
> **Response:**
>
> Confirmed. However, the impact of legislation varies in different jurisdictions. For instance, as discussed in Concentric's evidence (Appendix C, Figure 40) many jurisdictions in the U.S. have passed legislation to prohibit local governments from (a) banning the use of gas in buildings and (b) implementing electrification codes. In BC, by contrast, the provincial and local governments are pursuing policies to restrict or even effectively ban the use of natural gas in the building sector. These differences in policy should be considered when using proxy groups to determine the appropriate ROE and capital structure.

63.1 Please provide evidence and examples from within Canada.

Response:

FEI's response in the preamble above explains that government policy and legislation with regard to the Energy Transition varies across different jurisdictions. For instance, while some US states, like California or New York, pursue policies to restrict or effectively ban the use of natural gas others promote its use and prohibit anti-gas legislation at local levels.

Similarly, in Canada the provincial and local governments in jurisdictions such as BC and Quebec are implementing policies to increase the cost of natural gas appliances and consumption of natural gas for consumers or effectively ban installation of gas-fired appliances[1] while governments in other jurisdictions, such as Alberta or Manitoba, are pursuing or implementing policies and legislation to reduce the impact of high natural gas prices on households through tax credits or rebates.[2][3] However, FEI is not aware of any

1 https://www.cbc.ca/news/science/bans-fossil-fuel-heating-homes-1.6327113
2 https://www.alberta.ca/enabling-energy-rebates.aspx
3 https://news.gov.mb.ca/news/index.html?item=50457

provincial government in Canada that has passed legislation to prohibit anti-gas regulations at local levels similar to those in several U.S. states.

More specifically for BC, the BC Building Electrification Roadmap[4] released in March 2021 outlined an extensive series of recommendations aimed at electrifying energy end-uses in buildings and decreasing the use of gas-based solutions. The report refers to building electrification as follows: "*…the replacement of fossil fuel-based building operating systems, (such as space heating, domestic hot water, and cooking) with low carbon electric powered systems.*"[5] The purpose of the report was to achieve the following vision, "*By 2030, nearly all new and most replacement space heating and domestic hot water systems in BC's homes and buildings will be high-efficiency electric, in pursuit of a province-wide shift to low-carbon buildings.*"[6]

Supporting this vision was the proposal of 5 core strategies to implement the electrification of buildings including:

1. **Create Market Demand:** establishing policies for early and sustained market demand for high-efficiency electric building and communicating that the government is limiting GHG emissions in buildings.

2. **Improve Cost Effectiveness:** further action needed to level the playing field between electricity and gas by increasing the price of fossil gas through actions such as an increased carbon tax on any gas used in homes.

3. **Address Systemic Barriers:** support the adoption of electrification options over gas via different methods such as preferable access to low-cost capital, reducing legal barriers to electrification, direct support to landlords and more.

4. **Expand Industry Capacity:** proposed the significant development of more electrification training in schools and certification programs in order to solve for the low supply of labour in the field and support building developer capacity.

5. **Increase Available Technologies:** proposed speeding up timelines for the certification of new technologies in buildings and supporting low global warming refrigerants (mainly used in heat pump technology).

The three funding partners of this roadmap were the BC provincial government, BC Hydro and the City of Vancouver. These three organizations were also on the Steering Committee along with the City of Richmond and Metro Vancouver. Since its release, the report has served as the blueprint for building electrification and its recommendations have been systematically implemented according to the timeline provided.[7]

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4 https://www.zebx.org/wp-content/uploads/2021/04/BC-Building-Electrification-Road-Map-Final-Apr2021.pdf.
5 Ibid p. 4.
6 Ibid, p. 6.
7 Ibid, Section 5, Figure 10, p. 79.

Building on this example, the City of Vancouver Council, on May 17, 2022 council meeting, approved or recommended several measures to restrain the use of natural gas and/or renewable gas in the building sector in favour of electrification. Policy updates voted through Council included a focus on limiting or eliminating the use of gas in new buildings, existing detached homes, as well as existing large commercial and multi-family buildings. Specific bylaws that were voted during the recent meeting include the following recommendations.[8]

1. Bylaw and Policy Updates Applicable to New Buildings:

- Staff directed to explore options for removal of gas using appliances in new buildings such as gas stoves, fireplaces or any purpose gas would be needed in new buildings, both single family dwelling and larger multi-family buildings. This recommendation was passed unanimously. This effectively sets forth a strategy of banning gas demand to new households.

2. Bylaw Updates Applicable to Existing Detached Homes:

- Staff should prioritize electrification over renewable gas whenever possible in all new and existing buildings. All council members voted in favour except one.
- Staff should explore electrification of domestic hot water by changing the bylaw around domestic hot water replacements, meaning replacements must be electric as is the case in new buildings. This recommendation passed unanimously.

3. Annual Carbon Pollution Limits for Existing Large Commercial and Multi-family Buildings:

- Council prioritize electrification over renewable gas wherever possible in the Regulatory Roadmap and associated work, potentially hindering future discussions or research into how gas as an energy source can be decarbonized. All of council voted in favour except one.
- Adopt an interim Heat Energy Limit for 2032 as part of the regulatory Roadmap for the City. This would essentially put a cap on heat energy that could be supplied which could halt gas using equipment. All of Council voted in favour expect for two councillors.

1.2 Does FEI confirm this response for the purposes of the record of this proceeding?

Response:

Yes, FEI confirms this response for the purposes of the record of this proceeding.

[8] https://council.vancouver.ca/20220517/documents/regu20220517min.pdf.

1.3 What would be the impact of widespread municipal unwillingness to incorporate FEI's Renewable Gas Connections proposal as an option for new connections within their respective communities, upon the customer rates and the viability of each of the proposed new RNG rates?

Response:

FEI has designed the Renewable Gas Connections service to meet or exceed GHG emissions targets, polices, bylaws and to the potential changes to the provincial Building Code. FEI also believes that continuing to be able to serve residential customers throughout its service territory is in the best interest of customers, who value energy choice and affordability while contributing to the reduction of GHG emissions, and the utility.

Should local governments be unwilling to implement, or frustrate the implementation of, a BCUC approved tariff by taking measures that result in residential customers not being able to take advantage of the Renewable Gas Connections service, customer rates would be negatively impacted as illustrated in the response to BC Hydro IR2 4.4. Further, customers in those communities will not have the ability to meet low carbon mandates using anything but electricity. Provincial energy costs (both gas and electric) would likely rise, and the reliability and resiliency of the provincial energy systems would decrease.

Finally, by frustrating the adoption of the Renewable Gas Connections service, local governments would effectively be forcing costs on electric ratepayers in other municipalities outside their specific jurisdiction, through the impacts of a relatively rapid increase of overall load on the electric system, and on gas ratepayers outside their specific jurisdiction through a decline in overall load without the ability to shed costs for maintaining existing infrastructure in those municipalities. Furthermore, significant new investments in electricity supply and distribution infrastructure will be required to achieve the emissions reduction targets using an approach of only electrification. BC Hydro's 2021 Integrated Resource Plan illustrates insufficient capacity in its accelerated electrification scenario beginning in 2028 and thereby this municipal unwillingness to incorporate Renewable Gas also impacts electricity rates.

FEI believes the ability for all customers in its service territory to have consistent and continuous access to gas service is in the public interest and has designed the proposals in this Application with this in mind.

1.4 Which load scenario projected in FEI's 2022 Long Term Gas Resource Plan would this development most closely reflect? Please discuss.

Response:

On its own, the information that MoveUP has provided is insufficient to enable FEI to identify the degree to which the load scenarios contained in FEI's 2022 Long Term Gas Resource Plan (LTGRP) or BC Hydro's 2021 Integrated Resource Plan (IRP) align with the conditions described in MoveUP IR2 1.3. However, if MoveUP intends that unwillingness by local governments to incorporate the revised Renewable Gas Program as a policy for new connections would effectively lead to a ban on new gas connections, FEI confirms that such a policy environment would also lead to the electrification of existing gas demand. Such circumstances would be most closely reflected by the Deep Electrification scenario modelled and presented in FEI's 2022 LTGRP and, the Accelerated Electrification scenario modelled and presented in BC Hydro's IRP.

FEI has explored the impact of the Deep Electrification scenario on peak demand, gas supply resources, rate impacts and GHG emission reductions and believes that the impact of such a scenario on electricity system peak demand, annual and peak generation needs, transmission requirements, related rate implications and GHG emission reductions in BC also need to be fully and transparently examined in order to fully inform local governments, the BCUC and BC Hydro about the implications of preventing new gas connections.

As stated in FEI's Energy Scenarios Stage 2 Submission in the 2022 LTGRP proceeding:[9]

> FEI believes that more work is needed to fully understand the implications for energy costs, peak demand resources and costs, customer rates, and energy affordability for all energy consumers in BC associated with alternative decarbonization pathways. This is critically important before irreversible decisions are made by the BCUC, provincial and municipal governments, and energy consumers to pursue a single decarbonization pathway such as electrification.

Reference: FortisBC Energy Inc. and British Columbia Hydro and Power Authority – Energy Scenarios FEI Stage One Submission – Document 66883 – FEI Stage 1 Modelling Results

1.5 Which load scenario projected in BC Hydro's 2021 Integrated Resource Plan would this development most closely reflect? Please discuss.

Response:

Please refer to the response to MoveUp IR2 1.4.

[9] Exhibit B-4, filed August 12, 2022, at pp. 6 and 29. Online: https://docs.bcuc.com/Documents/Proceedings/2022/DOC_67464_B-4-FEI-Stage2-Submission.pdf.

1.6 What would be the range of potential impacts of this development upon:

1.6.1 the short term (5 years) forecast demand for RNG and the feasibility of FEI's plan meet this demand, and

Response:

Such a potential scenario would significantly reduce the demand for RNG for FEI's Renewable Gas Connections service, potentially to zero. Without new residential connections, the Renewable Gas Blend and Voluntary Renewable Gas services would, however, serve as substitute sources of demand for FEI's supply of RNG. Therefore, there would be little impact on the short-term demand for RNG overall, nor on FEI's ability to meet this demand. Should the demand currently anticipated from the Renewable Gas Connections service not ultimately be realized, FEI's supply of RNG will be diverted to these other program components.

Ultimately, FEI must reduce the GHG emissions associated with gas consumption as described in the CleanBC Roadmap, and delivering significant volumes of Renewable Gas to customers is a central component of how this will be achieved

1.6.2 the short term (5 years) forecast supply of RNG and FEI's plan for the RNG supply acquisition, security of the RNG supply, price of the RNG supply, and supply substitutes such as carbon offsets?

Response:

None of the topics listed in the question would be affected by a situation in which there is a widespread unwillingness from local governments to incorporate FEI's Renewable Gas Connections service as an option for new residential connections within their respective communities. Simply put, the acquisition of Renewable Gas that is driven by provincial policy is independent of local government policies.