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September 16, 2022

Residential Consumer Intervener Association
c/o Midgard Consulting Inc.
Suite 828 – 1130 W Pender Street
Vancouver, B.C. V6E 4A4

Attention: Mr. Peter Helland, Director

Dear Mr. Helland:

Re: FortisBC Energy Inc. (FEI)

Project No. 1599170

Application for a Certificate of Public Convenience and Necessity (CPCN) for the Tilbury Liquefied Natural Gas (LNG) Storage expansion (TLSE) Project (Application)

Response to the Residential Consumer Intervener Association (RCIA) Information Request (IR) No. 4 Regarding Exhibit A2-1

On December 29, 2021, FEI filed the Application referenced above. In accordance with regulatory timetable established in British Columbia Utilities Commission Order G-223-22 for the review of the Application, FEI respectfully submits the attached response to RCIA IR No. 4 regarding Exhibit A2-1.

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) Application for a Certificate of Public Convenience and Necessity (CPCN) for the Tilbury Liquefied Natural Gas (LNG) Storage Expansion (TLSE) Project (Application)	Submission Date: September 16, 2022
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1 **62. Reference: Exhibit A2-1, Musqueam Agreement Press Release; Exhibit B-1-4**
2 **Amended Application pp.110,168**
3 **Project Benefits**

4 On page 1 of the Press Release, FEI and Musqueam state:

5 “In recent years, Musqueam and FortisBC have worked to develop a mutually
6 beneficial relationship. The Tilbury LNG Projects Agreement is a direct result of
7 this relationship. It includes options, subject to regulatory approvals and certain
8 conditions precedent, for Musqueam to acquire equity ownership in the proposed
9 Projects. This includes the Tilbury LNG Storage Expansion Project and the
10 Tilbury Marine Jetty Project. The equity options recognize the important
11 relationship between FortisBC and Musqueam, and our shared desire to be true
12 partners.”

13 In Section 4.4.1.5 on page 110 of the Amended Application, FEI states:

14 “This section describes how a 3 Bcf tank provides FEI and its customers with
15 greater ancillary benefits over and above enhancing system resiliency associated
16 with expanding on-system LNG at Tilbury. Additional storage allows FEI to
17 access ancillary benefits, which can mitigate future risks.

18 These benefits include:

- 19 • Mitigation of third-party storage risk;
- 20 • Improved security of supply;
- 21 • Enhanced daily balancing capability;
- 22 • Increased operational flexibility and efficiency; and
- 23 • Potential to reduce customer rates through storage lease opportunities.”

24 FEI CPCN for TLSE Project – RCIA IRs on Exhibit A2-1

25 62.1 Please identify the TLSE project benefits and their quantum that FEI will share
26 with Musqueam.

27 **Response:**

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29 The Agreement itself is not transferring any ownership or interest in the TLSE Project and thus
30 does not trigger BCUC approval requirements. The Agreement contemplates that Musqueam
31 equity ownership could be an outcome of the collaboration with Musqueam, but it is not a
32 certainty at this time and would ultimately be contingent on BCUC approval (see section 2.4 of
33 the Agreement).



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1 However, should Musqueam its option to acquire an equity ownership interest in the TLSE
2 Project, it will share in the regulated earnings of the asset and will earn a portion of FEI's
3 regulated earnings, while leaving FEI customers in the same financial position that they would
4 be in if FEI still owned the asset. Please refer to the response to BCUC IR4 114.2.1 and 114.3.
5 As such, the additional benefits listed in Section 4.4.1.5 of the Amended Application (page 110),
6 will remain with FEI ratepayers as they would in the ordinary course, and would not be shared
7 with Musqueam. This is the same result as is currently the case with the Mt. Hayes LNG facility.

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11 62.1.1 Do the shared benefits include any or all of the ancillary benefits
12 identified by FEI in section 4.4.1.5 of the Amended Application? If yes,
13 which ones are included?

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15 **Response:**

16 No. Please refer to the response to RCIA IR4 62.1.

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20 62.2 Confirm whether the benefits that will be shared with Musqueam or the quantum
21 of the benefits depend on the ultimate size of the storage tank.

22 62.2.1 If confirmed, identify how the benefits to be shared with Musqueam will
23 change if a 2 BCF storage tank was constructed.

24

25 **Response:**

26 As explained in the response to RCIA IR4 62.1, should Musqueam its option to acquire an
27 equity ownership interest in the TLSE Project, it will share in the regulated earning of the asset
28 and will earn a portion of FEI's regulated earnings, while leaving FEI customers in the same
29 financial position that they would be in if FEI still owned the asset. As regulated earnings are a
30 function of rate base, other things being equal, Musqueam's return will be impacted by the size
31 of the tank; the smaller tank is expected to have a smaller rate base impact than the larger tank.

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35 62.3 Please explain whether the Musqueam Agreement results in diminished benefits
36 from TLSE that will accrue to FEI ratepayers.

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1 **Response:**

2 No, the Agreement does not diminish the benefits from the TLSE Project that will accrue to
3 ratepayers. Please refer to the responses to RCIA IR4 62.1 and BCUC IR4 114.3.

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7 62.4 Confirm whether the Musqueam Agreement affects the expected delivery rate
8 impacts presented in Table 6-6 of the Amended Application.

9 62.4.1 If confirmed, refile an updated version of Table 6-6 reflecting the
10 expected delivery rate impacts.

11
12 **Response:**

13 The delivery rate calculations provided in the Application are unaffected by Musqueam
14 exercising its option to acquire an equity ownership interest in the TLSE Project. Please refer to
15 BCUC IR4 114.3.

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19 62.5 What obligations does FEI have under the Musqueam Agreement if the TLSE
20 CPCN is not approved and the project does not proceed?

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22 **Response:**

23 If the TLSE Project is not approved, and does not proceed, FEI would have no obligations with
24 respect to the TLSE Project under the Agreement.

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28 62.6 Will any portions of the Amended Application change as a result of the
29 Musqueam Agreement?

30 62.6.1 If yes, please identify which portions and provide an update, including
31 black-line.

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33 **Response:**

34 No portions of the Amended Application will change as a result of the Musqueam Agreement.



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62.7 Identify the options in the Musqueam Agreement which require regulatory approval and identify the regulators from whom these approvals will be sought.

Response:

Musqueam exercising its option to acquire an equity ownership interest in the TLSE Project will be subject to BCUC approval. Please refer to the response to BCUC IR4 114.6.1.

62.7.1 Summarize the approvals that will be sought from the BCUC.

Response:

Please refer to the response to BCUC IR4 114.6.1.