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February 28, 2023

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

Attention: Peter Helland, Director

Dear Peter Helland:

**Re: FortisBC Energy Inc. (FEI)
Revised Renewable Gas Program Application – Stage 2 (Application)
FEI Rebuttal Evidence to the Residential Consumer Intervener Association
(RCIA) Intervener Evidence**

In accordance with the amended regulatory timetable established in British Columbia Utilities Commission Order G-28-23, FEI hereby files its Rebuttal Evidence to the RCIA Intervener Evidence in the above referenced proceeding.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Sarah Walsh

Attachments

cc (email only): Commission Secretary
Registered Parties



Biomethane Energy Recovery Charge Rate Methodology and Comprehensive Review of a Revised Renewable Gas Program

**Rebuttal Evidence
of FortisBC Energy Inc.**

**to the Intervener Evidence filed by
the Residential Consumer Intervener Association
(RCIA)**

February 28, 2023

1 **1. REBUTTAL TO THE EVIDENCE OF MIDGARD CONSULTING INC.**

2 **Q1: What is the purpose of this Rebuttal Evidence?**

3 A1: In this Rebuttal Evidence, FEI responds to the evidence of Midgard Consulting Inc.
4 (Midgard) filed by the Residential Consumer Intervener Association (RCIA) (Exhibit C10-
5 6). The capitalized terms in this Rebuttal Evidence are defined in the Application. For
6 example, “FEI” or the “Company” refers to FortisBC Energy Inc.

7 Although FEI has addressed a number of matters in this Rebuttal Evidence, FEI’s silence
8 on any particular matter should not be construed as agreement.

9 **Q2: Summarize the evidence of Midgard.**

10 A2: In its evidence, Midgard undertakes a quantitative analysis to represent what it refers to
11 as the “cross-subsidization” by Renewable Gas Blend customers in favour of Voluntary
12 Renewable Gas and Renewable Gas Connection customers in four scenarios. Midgard’s
13 four scenarios each have a different percentage of Voluntary Renewable Gas, Renewable
14 Gas Connections and Renewable Gas Blend customers based on the long-term
15 expectations of the proposed Renewable Gas Program including, in particular, renewable
16 gas content exceeding 15 percent (equating to approximately 30 PJs) by 2030 to meet
17 the target set in the 2018 CleanBC Plan.¹

18 **Q3: Is there any subsidy by Renewable Gas Blend customers in favour of Voluntary
19 Renewable Gas and Renewable Gas Connection customers?**

20 A3: No. FEI’s proposed pricing of the Voluntary Renewable Gas and Renewable Gas
21 Connection services is consistent with ratemaking principles and does not constitute a
22 cross-subsidy. Please refer to the Rebuttal Evidence of Mr. John J. Reed, Chairman and
23 Chief Executive Officer of Concentric Energy Advisors Inc. (Concentric), attached as
24 Appendix A to FEI’s Rebuttal Evidence to Kurt G. Strunk.

25 **Q4: Has Midgard provided any evidence to substantiate its view that the proposed
26 Renewable Gas Program results in cross-subsidization?**

27 A4: No. Midgard provides a financial analysis only and does not provide any analysis based
28 on ratemaking principles.

¹ Exhibit C10-6, p. 8.

1 **Q5: As shown in the table below from page 8 of its evidence, Midgard’s financial**
2 **analysis is based on four scenarios.**

Variable	Scenario 1	Scenario 2	Scenario 3	Scenario 4
% of Customers in Voluntary Renewable Gas Program	1%	7.5%	15%	30%
% of Customers in Renewable Gas Connections Program	0%	7.5%	15%	0%
% of Customers in Renewable Gas Blend Program	99%	85%	70%	70%
Total	100%	100%	100%	100%

3
4 **Midgard states that these “scenarios were chosen to provide a range of indicative**
5 **results based on the general long term expectations of FEI’s Renewable Gas**
6 **program.” Are the percentages used by Midgard in its four scenarios realistic or in**
7 **line with expectations for FEI’s proposed Renewable Gas Program?**

8
9 **A5: No. The scenarios selected by Midgard do not properly reflect how increasing supply (i.e.,**
10 **1 percent, 15 percent, or 30 percent RNG content) will affect the Renewable Gas Program.**

11 First, Midgard incorrectly assumes that the percentage of customers in the Voluntary
12 Renewable Gas and Renewable Gas Connections services equals the amount of RNG
13 that FEI acquires as a percentage of its total demand. For example, for Scenario 2,
14 Midgard assumes that when FEI has acquired 15 percent RNG it will have 15 percent
15 participation in the Voluntary Renewable Gas and Renewable Gas Connections services.
16 However, such a correlation between these percentages is not expected. Rather:

17

- The percentage of customers in the Voluntary Renewable Gas offering is expected
18 to be primarily based on their demand for RNG, not the total supply available.

19

- The percentage of customers in the Renewable Gas Connections service would
20 be determined by the number of new residential connections each year, not the
21 amount of RNG acquired. FEI has forecast 15,000 new residential connections
22 and 1,100 new commercial connections per year on average, both of which are in
23 line with historical customer connections. This results in the Renewable Gas
24 Connections customer count growing from zero to approximately 12 percent by
25 2030.

26

- As the supply of RNG increases, the supply to all sales customers through the
27 Renewable Gas Blend will increase as the amount RNG supply outpaces the
28 demand from Renewable Gas Connections and Voluntary Renewable Gas
29 customers. However, Midgard unrealistically holds the percentage for the
30 Renewable Gas Blend at one percent for all the scenarios.

- 1 • Further, as the percent of RNG in the Renewable Gas Blend service increases,
2 customers in the Voluntary Renewable Gas offering are expected to decline. This
3 is because some customers that would otherwise be part of the Voluntary
4 Renewable Gas offering will instead receive their voluntary percentage election
5 through the Renewable Gas Blend service.² Midgard's scenarios do not
6 contemplate any growth in the Renewable Gas Blend or any consequent reduction
7 in the Voluntary Renewable Gas offering.

8 Second, Midgard's simplifying assumption of a 50/50 split between Voluntary Renewable
9 Gas Customers and Renewable Gas Connections customers ignores how the two
10 offerings interrelate, which affects the costs and recoveries of each service. As noted
11 above, the amount of RNG a Voluntary Renewable Gas customer receives through the
12 Voluntary Renewable Gas offering will be driven by the amount that their elected
13 percentage of RNG exceeds the percent delivered via the proposed Renewable Gas
14 Blend; whereas the amount of RNG in the Renewable Gas Connections program will be
15 driven by the number of customer connections to FEI's distribution system. Therefore,
16 there is no basis to expect a 50/50 split between these customers as RNG supply
17 increases.

18 **Q6: How do FEI's proposed service offerings as part of the Renewable Gas Program**
19 **relate to the supply of RNG?**

20 A6: The following narrative sets out how the different service offerings are affected as the
21 supply of RNG increases:

- 22 1. FEI will first use its RNG supply to service the demand of Renewable Gas
23 Connections customers. As discussed above, the demand of Renewable Gas
24 Connections customers will be the result of the number of customers that have
25 connected to FEI's distribution system. Consequently, the number of Renewable
26 Gas Connections customers and their demand is unrelated to the Voluntary
27 Renewable Gas customers and their demand.
- 28 2. After FEI has supplied demand to Renewable Gas Connections customers, FEI
29 will use its RNG supply to fill demand from Voluntary Renewable Gas customers.
30 Voluntary customers choose to take a portion of their supply as RNG for various
31 reasons, none of which are related to the number of Renewable Gas Connections
32 customers and their demand.
- 33 3. Finally, after the above demand has been fulfilled, FEI will deliver the remainder of
34 its supply to all customers through the Renewable Gas Blend service.

35 Based on the above information, the simplifying assumptions made by Midgard regarding
36 the RNG content (supply) in FEI's system, the numbers of customers in each service

² Exhibit B-17, BCUC IR1 27.1.

1 offering and their resulting RNG demand and corresponding results, are not reflective of
2 how the supply of RNG will be used and how much of the costs of that supply will be
3 recovered through each proposed service offering as part of the Renewable Gas Program.

4 **Q7: Could Midgard's scenarios ever be reflected in the Renewable Gas Program?**

5 A7: No. Midgard's four scenarios do not reflect any realistic possibilities under the Renewable
6 Gas Program.

7 **Q8: Midgard assumes that Voluntary Renewable Gas offering customers elect 100**
8 **percent RNG and that this assumption does not fundamentally change the analysis.**
9 **Is this assumption realistic and does it change the analysis?**

10 A8: Midgard's assumption of 100 percent RNG for Voluntary Renewable Gas customers is not
11 realistic. In fact, FEI's Voluntary Renewable Gas residential customers, on average, elect
12 to receive 16 percent RNG.³ As such, Midgard's assumption of 100 percent RNG election
13 is unrealistic, over estimates the demand for RNG from Voluntary Renewable Gas
14 customers and consequently miscalculates the RNG recoveries from each of the
15 Renewable Gas service offerings.

16 **Q9: Midgard uses the same S&T LC Rider for each scenario. Is this a reasonable**
17 **assumption?**

18 A9: No. By using the same S&T LC Rider for each scenario, Midgard is ignoring the
19 interrelationship between the recoveries from Renewable Gas Connections, Voluntary
20 Renewable Gas and Renewable Gas Blend customers. Midgard redistributes the 'under
21 recovery', as defined by Midgard, to the three customer groups which simulates a
22 changing S&T LC Rider;⁴ however, it does so based on the number of customers in each
23 Renewable Gas service offering, which ignores the demand in each of these groups. This
24 approach is further confounded by the assumptions Midgard makes regarding the number
25 of customers in each service offering and the percent of RNG elected by Voluntary
26 Renewable Gas customers. The end result is that the Midgard's S&T LC Rider
27 assumptions are not reasonable.

28 **Q10: Midgard uses a carbon tax equal to \$4.749 per GJ which is equivalent to \$95 per**
29 **tonne. Is this assumption reasonable?**

30 A10: No. Based on provincial and federal policy, FEI expects that the carbon tax will increase
31 to \$170 per tonne by 2030 which equates to \$8.40 per GJ. An increase to the carbon tax
32 will increase the Low Carbon Gas (LCG) Charges to Renewable Gas Connections and

³ Exhibit B-22, CEC IR1 49.2.

⁴ Exhibit C10-6, Midgard Evidence, p. 8.

1 Voluntary Renewable Gas customers, as the carbon tax is a component in the calculation
2 of the LCG Charges.

3 It is important to note that an increase in the carbon tax of this size will narrow the gap
4 between the LCG Charges and the acquisition cost of RNG. As this gap narrows, the costs
5 to be recovered through the S&T LC Rider are reduced. This increase in recovery through
6 FEI's LCG Charges and commensurate reduction in the S&T LC Rider is not reflected in
7 Midgard's analysis.

8 **Q11: Midgard assumes that residential customers will use 80 GJ per year. Does FEI agree**
9 **with this assumption?**

10 A11: To isolate the bill impacts of the proposals in this Application FEI also used a UPC of
11 approximately 80 GJ per year in its bill impact analysis,⁵ but notes that new residential
12 buildings are more efficient than existing buildings and, therefore, should have lower
13 annual use rates, lessening any impacts of the Renewable Gas Connections component
14 of the Renewable Gas Program.

15 **Q12: Is Midgard's financial analysis valid?**

16 A12: No. As discussed above, Midgard has made fundamental errors in the assumptions that
17 underlie its analysis. Therefore, Midgard's financial analysis is not representative of
18 possible outcomes that could occur based on the proposals set out in the Application.

19 **Q13: Does this conclude your rebuttal to Midgard?**

20 A13: Yes.

⁵ Exhibit B22, CEC IR1 50.3.