

Sarah Walsh

Director, Regulatory Affairs

Gas Regulatory Affairs Correspondence Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence Email: <u>electricity.regulatory.affairs@fortisbc.com</u> **FortisBC**

16705 Fraser Highway Surrey, B.C. V4N 0E8 Tel: (778) 578-3861 Cell: (604) 230-7874 Fax: (604) 576-7074 www.fortisbc.com

April 20, 2023

British Columbia Public Interest Advocacy Centre Suite 803 470 Granville Street Vancouver, B.C. V6C 1V5

Attention: Leigha Worth, Executive Director

Dear Leigh Worth:

Re: FortisBC Energy Inc. (FEI)

Application for a Certificate of Public Convenience and Necessity (CPCN) for Approval of the Interior Transmission System Transmission Integrity Management Capabilities Project (Application)

Response to the British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Tenant Resource and Advisory Centre, and Together Against Poverty Society (BCOAPO) Information Request (IR) No. 2

On September 20, 2022, FEI filed the Application referenced above. In accordance with the further regulatory timetable established in British Columbia Utilities Commission Order G-48-23, FEI respectfully submits the attached response to BCOAPO IR No. 2.

For convenience and efficiency, if FEI has provided an internet address for referenced reports instead of attaching the 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.

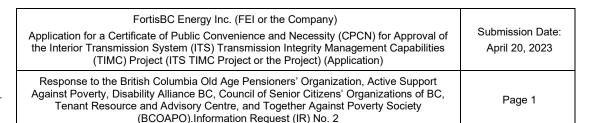
Original signed:

Sarah Walsh

Attachments

cc (email only): Commission Secretary

Registered Parties





1	A.	PROJECT NEED AND JUSTIFICATION		
2	7.0	Reference:	Exhibit B-6, BCOAPO IRs 1.1, 1.2, 1.5, 1.10 and 1.11	
3			Coverage & Scope of the FEI ITS TIMC Project	
4		Preamble:		
5 6 7 8		for cra Proje	rovides tables indicating that the percentage of the ITS that will be assessed acking over the seven year run frequency as part of the proposed ITS TIMC ct is 36% and that 64% of the length of the ITS will not be assessed for ing as part of the ITS Project. (BCOAPO IRs 1.1 and 1.11)	
9 10 11		Syste	rovides a table indicating that the percentage of the Coastal Transmission em (CTS) that will be assessed for cracking over the seven year run frequency rt of the CTS TIMC Project is 92%. (BCOAPO IR 1.2)	
12 13 14 15		not y	indicates that the percentage of the ITS mainline for which EMAT IL tools are set commercially available (NPS $\frac{3}{4}$, 1 $\frac{1}{4}$, 2, 3, 4, 6 and 8) and will not be seed for cracking as part of the proposed ITS TIMC Project is 47%. (BCOAPO 5)	
16 17			ndicates that it did not factor the lower relative cracking risk of the ITS as ared to the CTS into the scope of the ITS Project. (BCOAPO IR 1.10)	
18 19 20 21 22 23		as pa asses greate of the	the confirm that, in terms of the length of the ITS to be assessed for cracking art of the proposed ITS TIMC Project, (i) the NPS 10 and greater to be used for cracking represents 36% of the length of the ITS; (ii) the NPS 10 and user not to be assessed for cracking represents 17% (64% - 47%) of the length of ITS; and (iii) the NPS below 10 not to be assessed for cracking represents of the length of the ITS.	

Response:

- With regard to (i), FEI confirms that the NPS 10 and greater pipelines that are to be assessed for cracking as part of the ITS TIMC Project represent approximately 36 percent of the length of the ITS.
- With regard to (ii), FEI confirms that the NPS 10 and greater pipelines that have been assessed as not being susceptible to cracking threats, and which FEI therefore does not intend to use EMAT ILI tools to assess for cracking, represent approximately 17 percent of the length of the ITS.

 However, FEI does nonetheless screen for cracking threats on all ITS pipelines using integrity.
- However, FEI does nonetheless screen for cracking threats on <u>all</u> ITS pipelines using integrity digs as part of its standard integrity dig practices.

FortisBC Energy Inc. (FEI or the Company) Application for a Certificate of Public Convenience and Necessity (CPCN) for Approval of the Interior Transmission System (ITS) Transmission Integrity Management Capabilities (TIMC) Project (ITS TIMC Project or the Project) (Application)	Submission Date: April 20, 2023
Response to the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Tenant Resource and Advisory Centre, and Together Against Poverty Society (BCOAPO).Information Request (IR) No. 2	Page 2



- 1 With regard to (iii), FEI confirms that the pipelines that are smaller than NPS 10, for which EMAT
- 2 ILI tools are not yet commercially available, and which FEI therefore does not intend to use EMAT
- 3 ILI to assess for cracking, represents approximately 47 percent of the length of the ITS. As noted
- 4 above, FEI does nonetheless screen for cracking threats on all ITS pipelines using integrity digs
- 5 as part of its standard integrity dig practices.

7

8

10 11

12

7.2 Given that the proposed ITS TIMC Project is only expected to assess 36% of length of the ITS for cracking as compared to 92% of the CTS to be assessed for cracking, and that the ITS has a lower cracking risk relative to the CTS, please explain why FEI appears to consider the ITS and CTS projects as similar in terms of need and justification.

131415

19

20

21

22

23

24

25

26

27

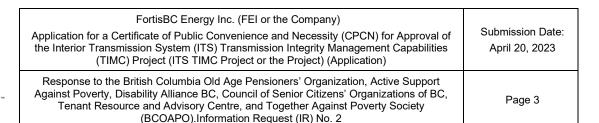
28

29

30

Response:

- FEI's assessment of the need and justification of the ITS and CTS projects is similar and is independent of the length of pipe being assessed. The need and justification for both projects is primarily established by the following common factors:
 - FEI has identified pipelines that are susceptible to cracking, including through the QRA reports prepared by JANA, the findings of SCC on FEI's pipelines, and the knowledge and experience of other pipeline operators;
 - Cracking is a credible threat that has the potential to cause failure by rupture, for which the potential consequences are significant and unacceptable to FEI;
 - Cracking is a time-dependent threat, meaning there is an increasing potential to impact
 the pipeline over time, and FEI needs to ascertain integrity information on its pipelines in
 a timely manner to mitigate the potential for failures;
 - FEI needs to align with evolving industry practices that include utilizing EMAT ILI tools with new and improved capabilities and functionalities to assess, manage and mitigate cracking; and
 - FEI has regulatory obligations to mitigate cracking threats to its transmission pipelines.





1 B. DESCRIPTION & EVALUATION OF ALTERNATIVES

2 8.0 Reference: Exhibit B-6, BCOAPO IRs 2.2 and 2.4

Identification & Evaluation of Credible/Feasible Alternatives

Preamble:

When asked to explain how FEI considers the PLR (Pipelined Replacement) and PLE (Pipeline Exposure & Recoat) are meaningful alternatives to EMAT ILI, as they involve either the replacement or recoating of the ITS pipelines in their entirety, FEI compartmentalized the response into the following: (i) these are highly effective methods (ii) they are technically feasible methods and (iii) they are not financially feasible methods. As such, the answer to the IR was not responsive to the spirit of the question that requests FEI to explain if these are meaningful alternatives to EMAT ILI. (BCOAPO IR 2.2)

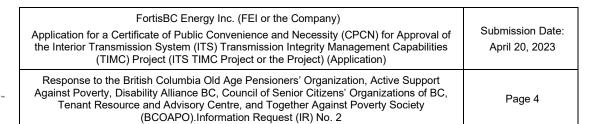
FEI confirmed that it did not identify or evaluate any sub-options to the EMAT ILI option in terms of: (i) less or more than the proposed 8 ITS pipelines; (ii) less or more than the proposed 3 pipelines alternations and 13 facility alterations; and (iii) a longer or shorter timeframe. (BCOAPO IR 2.4)

8.1 Please respond to the original question in BCOAPO IR 2.2 as to whether FEI views the PLR and PLE as meaningful alternatives to EMAT ILI. That is, is FEI of the view that alternatives that are so obviously not financially feasible – that it did not even consider the cost of estimating the NPV of these alternatives to be warranted and instead used information from the CTS TIMC CPCN Application – are meaningful alternatives for consideration and review by the BCUC.

Response:

FEI carefully considered BCOAPO's question in BCOAPO IR1 2.2 and provided a full and adequate response in the circumstances, which described the pertinent features of FEI's analysis of the PLR and PLE alternatives. FEI has difficulty adopting BCOAPO's concept of a "meaningful alternative" as it is not clear what that is meant to imply. If it is BCOAPO's position that FEI's alternatives analysis was not "meaningful" in some sense, FEI respectfully disagrees and submits that is ultimately a matter for argument.

FEI notes that the BCUC's CPCN Guidelines (Order G-20-15) do not use the term "meaningful" with respect to alternatives, but instead refer to "feasible" alternatives. Consistent with the CPCN Guidelines, FEI identified the feasible alternatives considered, along with alternatives deemed to be not feasible at an early stage and, importantly, the reasons why these alternatives were not considered further.





FEI also observes that the alternatives identified in the Application, along with the associated alternatives evaluation methodology, are consistent with those in the CTS TIMC Application, reflecting that both projects share the same Project Objective. In the CTS TIMC proceeding, the alternatives and evaluation methodology were accepted by both BCOAPO and the BCUC. BCOAPO stated in its Final Argument in the CTS TIMC CPCN proceeding: "BCOAPO agrees with FEI on its evaluation of the six alternatives and its assessment that EMAT ILI is the only viable option from the alternatives assessed." The BCUC stated the following in its Decision in that proceeding (Order C-3-22):3

The Panel is satisfied that FEI has appropriately and adequately assessed the identified alternatives for meeting the objectives of mitigating the risk of cracking on the CTS pipelines leading to rupture. Pursuant to that analysis, the Panel finds FEI's preferred alternative, to modify the 11 CTS pipelines to allow for the use of EMAT ILI tools, to be reasonable on the basis of technical and financial feasibility. FEI has demonstrated that, of the six available alternatives for meeting the objectives of the Project, at this time, only three are technically feasible and of the latter, only the EMAT ILI alternative is financially feasible, as both the PLR and PLE alternatives are prohibitively expensive. Furthermore, interveners all agree with FEI's alternatives analysis, and the selection of EMAT ILI as the preferred solution.

8.2 Please explain how FEI expects the BCUC and Intervenors to be in a position to appropriately evaluate CPCN Applications that are presented such that the objective of the proposed project has no meaningful alternatives to that proposed by FEI or as all or none propositions that do not contain any meaningful suboptions to the proposed alternative.

Response:

- 30 Please refer to the response to BCOAPO IR2 8.1.
- This Application is for approval to proceed with the capital investment to address an integrity risk to FEI's pipelines on the ITS. There is sufficient information on the record, including the

As stated in Section 4.1 of the Application, the Project Objective for the ITS TIMC Project is to enhance FEI's integrity management capabilities to mitigate cracking threats on 8 ITS pipelines. As stated in Section 4.1. of the CTS TIMC CPCN Application, the Project Objective for the CTS TIMC Project is to enhance FEI's integrity management capabilities to mitigate cracking threats to the 11 CTS transmission pipelines.

² CTS TIMC BCOAPO Final Argument, p.10., as reproduced on p.18 of BCUC Order C-3-22.

³ BCUC Order C-3-22, p.19.

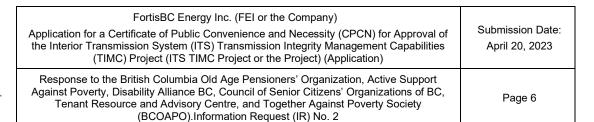
FortisBC Energy Inc. (FEI or the Company) Application for a Certificate of Public Convenience and Necessity (CPCN) for Approval of the Interior Transmission System (ITS) Transmission Integrity Management Capabilities (TIMC) Project (ITS TIMC Project or the Project) (Application)	Submission Date: April 20, 2023
Response to the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Tenant Resource and Advisory Centre, and Together Against Poverty Society (BCOAPO).Information Request (IR) No. 2	Page 5



- 1 alternatives analysis provided in Section 4 of the Application, for the BCUC and interveners to
- 2 assess FEI's conclusion that the only cost-effective alternative to mitigate the identified risk is
- 3 EMAT ILI.
- 4 FEI has worked with internal subject matter experts and ILI tool vendors to determine what 5 alterations are required on its system to support successful runs of EMAT ILI tools on the eight 6 ITS pipelines, and the alterations proposed in the Application are the minimum requirements. For 7 example, FEI has identified three pipeline alterations to address known speed excursions that 8 have resulted in the collection of unusable data during past ILI runs. It is more cost effective to 9 proactively mitigate these speed excursions through heavy-wall pipe replacements, as compared 10 to reactively mitigating cracking on the impacted pipe through a PLR or PLE alternative following 11 the EMAT ILI run. There is sufficient information on the record for the BCUC and interveners to

evaluate FEI's analysis and conclusions in this regard.

13





1 C. PROJECT DESCRIPTION AND PROJECT COST ESTIMATE

9.0 Reference: Exhibit B-6, BCOAPO IRs 3.1 and 3.2

Priority Ranking of 16 Alternations & Contingency/Management Reserves

Preamble:

FEI confirms that it has not undertaken an evaluation to rank the 3 proposed pipeline alterations and 13 proposed facility alterations in order of priority. (BCOAPO IR 3.1)

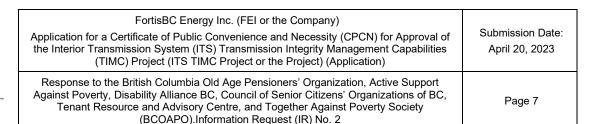
FEI provides a table which identifies the capital cost estimate (before escalation and contingency) of each of the 3 proposed pipeline alterations that total \$8.986 million (12%) and each of the 13 proposed facility alternations that total \$62.908 million (88%), for a grand total of \$71.894 million (before project development, deferral costs, management reserve, AFUDC and Income Tax Recovery). (BCOAPO 3.2)

9.1 Please explain if FEI has a tool that it uses to rank capital projects for the purposes of prioritizing its capital budgets. If yes, please provide the priority ranking of the 16 proposed alternations using FEI's capital priority ranking tool, including the criteria to rank, the weighting of the criteria, and the individual scoring for each of the 16 proposed alterations.

Response:

FEI utilizes Copperleaf's C55 Asset Investment Planning tool to prioritize potential sustainment capital projects and ensure that the sustainment capital portfolio is delivering the greatest value by mitigating the most risk on a per dollar basis for various types of risks. These risks include, but are not limited to, safety (such as those posed by cracking), reliability, environmental, and regulatory risks. The tool assumes each potential project (or "investment") is intended to address and mitigate risk at some cost, and that the risk can be estimated before and after implementation of the investment with some certainty.

The 16 alterations within the Project scope are required to ready the 8 ITS pipelines for EMAT ILI runs, and do not directly influence the risk estimates for these pipelines. As explained in the response to BCUC IR2 20.5, safety risk on these pipelines cannot be influenced until after the EMAT ILI tools are run, interpreted and findings are responded to. Further, as explained in Section 5.4.4 of the Application, the extent of cracking threats is unknown until after the successful EMAT run and initial data analysis is completed. As such, evaluating the individual proposed alterations using the C55 tool would not be useful in the context of this Project as the risk following implementation of the alterations remains materially unchanged until after the EMAT ILI tool is run.





D. CONSULTATION AND ENGAGEMENT

•					
2	10.0	Reference:	Exhibit B-6, BCOAPO IRs 4.2 and 4.3		
3			Consultation Objectives and Tactics		
4		Preamble:			
5 6 7 8 9		Indige affect are e audie	defined by theIAP2 spectrumFEI considers its engagement level for enous Groups as "Involve" because FEI works directly with potentially led groups throughout the process to ensure the concerns and aspirations consistently understood and consideredFEI considers the remaining nces as "Consult" on the IAP2 spectrum because it is obtaining feedback on sis, alternatives and/or decision." (BCOAPO IR 4.2)		
11 12 13		have	separate letters were sent to each of the 35 Indigenous Groups offering to a meeting. To date, FEI has held two, two-way meetings with Indigenous os." (BCOAPO IR 4.3)		
14 15 16 17 18		met t and a	the explain if FEI's engagement activities with Indigenous Groups to date have the "Involve" level on the IAP2 spectrum to ensure that Indigenous concerns aspirations are directly reflected in the alternatives developed and their input inced the decision.		

Response:

FEI considers that by commencing early engagement activities with Indigenous groups before the Application was filed with the BCUC it has met the "Involve" level of the IAP2 spectrum. In particular, FEI provided each of the 35 Indigenous groups with opportunities to provide input on the preliminary Project scope and to identify potential areas of involvement in its development. While responses to this engagement included expressions of interest to be involved in activities during field assessments and construction, to date, no Indigenous groups have raised specific input regarding Project alternatives.

10.2 Please elaborate on how FEI plans to achieve the "Involve" level on the IAP2 spectrum with the 35 Indigenous Groups if the ITS TIMC Project is approved by the BCUC.

FortisBC Energy Inc. (FEI or the Company) Application for a Certificate of Public Convenience and Necessity (CPCN) for Approval of the Interior Transmission System (ITS) Transmission Integrity Management Capabilities (TIMC) Project (ITS TIMC Project or the Project) (Application)	Submission Date: April 20, 2023
Response to the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Tenant Resource and Advisory Centre, and Together Against Poverty Society (BCOAPO).Information Request (IR) No. 2	Page 8



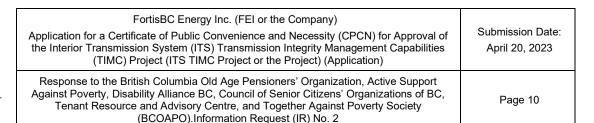
1 Response:

As outlined in Section 8.3.6 of the Application, FEI will continue providing detailed Project information to the 35 Indigenous groups identified for their consideration and comment. Further engagement will take place throughout the Project's lifecycle, including Project planning, construction and restoration. In particular, as development of the Project progresses, FEI will also continue to follow up and address concerns that were identified as part of early engagement activities.

FortisBC Energy Inc. (FEI or the Company)	
Application for a Certificate of Public Convenience and Necessity (CPCN) for Approval of the Interior Transmission System (ITS) Transmission Integrity Management Capabilities (TIMC) Project (ITS TIMC Project or the Project) (Application)	Submission Date: April 20, 2023
Response to the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Tenant Resource and Advisory Centre, and Together Against Poverty Society (BCOAPO).Information Request (IR) No. 2	Page 9



1	E.	COMPLIANCE FRAMEWORK AND REPORTING		
2	11.0	Refer	ence:	Exhibit B-6, BCOAPO IRs 5.1 and 5.2
3				ITS TIMC Project Compliance Framework & Reporting
4		Prean	nble:	
5 6 7			simila	ecommends that if the ITS TIMC Project is approved, that the BCUC direct r semi-annual progress, material change and final reporting requirements as e CTS TIMC Project. (BCOAPO IR 5.1)
8 9 10			mode	idicates that environmental and archeological impacts that are assessed as rate to high should be included in the project risks section of semi-annual ess reports to the BCUC. (BCOAPO IR 5.2)
11 12 13 14		11.1	mode	e explain why environmental and archeological impacts that are assessed as rate to high would not be included in material change reports if they meet the a of a material change.
15	Resp	onse:		
16 17	FEI clarifies that, if an environmental or archaeological impact assessed as moderate to high meets the criteria of a material change, FEI would include it in a material change report.			
18 19	However, it is not necessarily the case that such impacts will meet the criteria of a material change.			
20 21 22	Therefore, consistent with its practice with respect to other CPCN projects and to ensure transparency, FEI will include all environmental and archaeological impacts that are assessed as moderate to high in the project risks section of the progress reports to the BCUC.			





1 F. VALUE OF INCREMENTAL IMPROVEMENT IN RISK

2	12.0	Reference:	Exhibit B-6, BCOAPO IRs 6.4, 6.5 and 6.6
3 4			FEI Response to BCUC Directive re: Assess the Value of Incremental Improvement in Risk
5		Preamble:	
6 7 8 9 10 11		oppo mitiç circu The fram	TEI considers that the existing CPCN regulatory processremains the best ortunity to analyze and assist with assessing the incremental value of risk gationCPCN processes benefit from inherent flexibility to adapt to the umstances of each project driven by unique risk mitigation characteristics. refore, in FEI's view, there is no need to develop a separate risk management nework for CPCN regulatory processes as the relevant risk elements are essed through the process that exists" (BCOAPO IR 6.4)
13 14 15		asse	's corporate risk management framework is not an appropriate tool for essing the value of incremental improvements to future CPCN projects." OAPO IR 6.5)
16 17 18 19 20 21		App exis anal	ase refer to the response to BCOAPO IR1 6.4 and Appendix R to the lication which provides a discussion of FEI's view and recommendation that ting CPCN regulatory processes remain the best forum for the BCUC to yze the incremental value of risk mitigation aspects specific to a project." OAPO IR 6.6)
22 23 24 25 26		valu shou	ase confirm that FEI's position regarding the BCUC's directive to assess the e of improvements in risk is that the status quo of the current CPCN process ald continue and that FEI considers this BCUC directive to be fully responded Appendix R of the Application.

Response:

Confirmed. As discussed in Appendix R to the Application, FEI considered possible processes to assess the value of incremental improvements in risk resulting from a given project and concludes that there is no "silver bullet" answer to the question of how to assess incremental improvement in risks, and that the CPCN regulatory process remains the best opportunity to assess and test the costs and benefits of a project for ratepayers, including the incremental value of risk mitigation as applicable.

FortisBC Energy Inc. (FEI or the Company)	Culturianian Data
Application for a Certificate of Public Convenience and Necessity (CPCN) for Approval of the Interior Transmission System (ITS) Transmission Integrity Management Capabilities (TIMC) Project (ITS TIMC Project or the Project) (Application)	Submission Date: April 20, 2023
Response to the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Tenant Resource and Advisory Centre, and Together Against Poverty Society (BCOAPO).Information Request (IR) No. 2	Page 11



FEI has not identified a single way to evaluate incremental improvements in risk. Ultimately, the existing CPCN process is flexible enough to adapt to the circumstances of individual projects, including a diverse range of drivers and justifications.

4 5

6 7

8

9

12.2 Please explain why an overall framework for the evaluation of the value of improvements in risk, that would have the flexibility to be adapted/applied to specific projects through CPCN applications, could not be developed for FEI's CPCN applications.

10 11 12

Response:

13 Please refer to the response to BCOAPO IR2 12.1.