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May 8, 2023

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Patrick Wruck, Commission Secretary

Dear Patrick Wruck:

**Re: FortisBC Energy Inc. (FEI)
Revised Renewable Gas Program Application – Stage 2 (Application)
Request to Modify the Regulatory Timetable for Update on Carbon Tax Matter**

FEI writes to inform the British Columbia Utilities Commission (BCUC) of a tax matter that has arisen with respect to the *Carbon Tax Act* that may impact FEI's ability to recover a carbon tax refund from government on behalf of its customers that is proportionate to the biomethane credits reflected on customer bills. If not resolved, this may impact the rate impact analysis and other evidence filed in this proceeding. FEI is unable to provide its Final Argument at this time as it requires additional time to assess the potential solutions, including further consultation with the Province with respect to changes to existing tax policies or legislation, and/or adjustments to the Renewable Gas Program, as proposed in the Application. Therefore, FEI respectfully requests that the BCUC modify the regulatory timetable set by Order G-86-23 to provide that FEI is to file an update to the BCUC by June 5, 2023 on the carbon tax matter, after which further process can be determined.

In the paragraphs below, FEI provides background information regarding the carbon tax matter and describes its engagement with the BC Ministry of Finance (Ministry), next steps to resolve the matter, and proposal for the regulatory timetable in this proceeding.

Background Regarding FEI's Inventorying Practice and the *Carbon Tax Act*

As a retail dealer under the *Carbon Tax Act*, FEI is registered with the Ministry to charge, collect, report and remit the carbon tax on retail sales of natural gas to its customers. In accordance with the *Carbon Tax Act*, FEI provides biomethane customers with a biomethane credit on their bill on behalf of the Province that is proportionate to the amount of biomethane sold to each customer. To date, when remitting carbon tax to the Province, FEI reduces its total remittance by the amount of biomethane credits it has provided to customers.

To account for the variation between biomethane supply from suppliers and fluctuating seasonal demand for biomethane from its customers, FEI maintains a biomethane inventory. Where biomethane supply exceeds customer demand in a given monthly reporting period, FEI carries the surplus forward to a period when demand is higher than supply (which FEI refers to internally as “inventorying”), thereby balancing supply and demand over time. This approach recognizes the fungible nature of biomethane and is consistent with how gas is procured, delivered and, where supply and demand do not balance, stored to serve future demand.

Engagement with the Ministry Regarding the Carbon Tax Implications of Inventorying

Since early 2022, FEI has been engaging with the Ministry with respect to receiving confirmation that FEI’s inventorying practice will not preclude it from recovering carbon tax refunds from government on behalf of its customers. During this time, FEI has communicated the merits and necessity of continuing its practice of inventorying biomethane for blending into the gas system in subsequent reporting periods where supply and demand are not equal.

FEI’s engagement efforts with the Ministry resulted in a meeting in March 2023, where the Ministry concluded that, under the *Carbon Tax Act*, FEI can only claim a carbon tax refund for the *lesser* of the amount of biomethane credits provided to customers in the monthly reporting period and the amount of biomethane that is physically blended in the same reporting period.¹ For example, if FEI receives 100,000 GJ of biomethane per month from its suppliers, but demand is only 75,000 GJ (e.g., a warmer month), FEI cannot allocate the 25,000 GJ difference to a future reporting period when demand for biomethane exceeds supply. As a result, FEI would not be able to inventory biomethane from month-to-month for the purpose of recovering carbon tax refunds from government on behalf of its customers (through a reduction of FEI’s carbon tax remittance to the Ministry).

It is FEI’s understanding that retailers of liquid fuels may be faced with similar challenges, as liquid fuels are also mixed and then stored, before being sold to customers. As with FEI’s purchase and sale of biomethane, the timing difference between when the fuel is mixed and when it is sold creates challenges with claiming carbon tax refunds under the *Carbon Tax Act*.

FEI’s Next Steps

While reaching the above conclusion, the Ministry also communicated that the Province was committed to further consideration of the issue, including the potential for policy or legislative change. In this regard, FEI will be meeting with members of the Province’s Tax Policy and Legislative division, and other provincial ministries supporting the CleanBC Roadmap objectives, to discuss the potential for a solution that would recognize the inventorying of biomethane for the purpose of recovering carbon tax refunds. FEI is hopeful that the Province will ultimately amend the existing tax policy or legislation in a manner that aligns with the realities of buying and selling liquid and gaseous renewable fuels.

FEI is also determining and assessing mechanisms and mitigation strategies to continue to recover the carbon tax refund from government on behalf of customers, and whether there are any changes to the Renewable Gas Program that FEI will need to seek approval of in this proceeding.

¹ FEI may only claim carbon tax credits for the lesser of the biomethane provided to its customers and the biomethane blended into its system (supplied by producers) in a given month.

Proposal for the Regulatory Timetable

As the outcomes of the processes described above might impact the evidence and approvals sought in this proceeding, FEI requests that the BCUC modify the regulatory timetable to provide that FEI is to file an update to the BCUC by June 5, 2023 on the carbon tax matter, after which further process can be determined.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Sarah Walsh

cc (email only): Registered Interveners