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July 14, 2023

B.C. Sustainable Energy Association  
c/o William J. Andrews, Barrister & Solicitor  
70 Talbot Street  
Guelph, ON  
N1G 2E9

Attention: William J. Andrews

Dear William J. Andrews:

**Re: FortisBC Energy Inc. (FEI)**

**Application for a Certificate of Public Convenience and Necessity for the Okanagan Capacity Upgrade Project (Application) ~ Project No. 1599152**

**Response to the B.C. Sustainable Energy Association (BCSEA) Information Request (IR) No. 1 on Supplementary Filing**

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On November 16, 2020, FEI filed the Application referenced above. In accordance with the British Columbia Utilities Commission Order G-106-23 establishing a further regulatory timetable for the review of the Application, FEI respectfully submits the attached response to BCSEA IR No. 1 on Supplementary Filing.

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 Interveners

FortisBC Energy Inc. (FEI or the Company) Application for a CPCN for the Okanagan Capacity Upgrade (OCU) Project (Application)	Submission Date: July 14, 2023
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1     **31.0   Topic:         Peak Demand Forecast**

2                               **Reference: Exhibit B-35, Supplementary Filing, section 2.1 FEI**  
3                               **Updated the Peak Demand Forecast for the ITS, p.3, pdf p.10; Figure**  
4                               **2-1: Supplementary Filing Peak Demand Forecast, p.4, pdf p.10;**  
5                               **Figure 2-2: Extract from Supplementary Filing Peak Demand**  
6                               **Forecast, p.5, pdf p.11**

7             FEI states on p.3:

8                               “FEI updates the peak demand forecast on an annual basis. Accordingly, FEI’s  
9                               current peak demand forecast differs from the one provided in the Updated  
10                               Application. When comparing the Supplementary Filing Forecast to the forecast  
11                               used in the Updated Application, FEI observes that gas demand is still expected  
12                               to increase, but at a lower rate. The Supplementary Filing Forecast confirms an  
13                               imminent capacity shortfall.”

14             31.1   Please file the updated peak demand forecast for the Interior Transmission  
15                               System.

16  
17     **Response:**

18     Please refer to the responses to BCUC Supplementary IR1 1.1 and 1.2.

19  
20

21  
22             31.2   Please file the Supplementary Filing Peak Demand Forecast.

23  
24     **Response:**

25     Please refer to the responses to BCUC Supplementary IR1 1.1 and 1.2.

26  
27

28  
29             31.3   What are the dates of the updated peak demand forecast for the Interior  
30                               Transmission System and the Supplementary Filing Peak Demand Forecast?

31  
32     **Response:**

33     The Updated Application Forecast was prepared through 2019 and made available in Q3 of 2019.  
34     The Supplementary Filing Forecast was completed in May of 2023.



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1 Please also refer to the response to BCUC Supplementary IR1 1.1.

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4

5 31.4 Will FEI produce an updated Supplementary Filing Peak Demand Forecast based  
6 on the next annual peak demand forecast for the Interior Transmission System? If  
7 so, when? If not, why not?

8

9 **Response:**

10 FEI will not be providing an updated Supplementary Filing Peak Demand Forecast (i.e., an update  
11 to the Supplementary Filing Forecast) in this proceeding. As explained in the response to BCUC  
12 Supplementary IR1 1.1, peak demand forecasts are prepared annually and are generally  
13 completed by the end of Q3. The next peak demand forecast will therefore not be available until  
14 the end of Q3 2023.

15  
16

17

18 31.5 Please confirm, or otherwise explain, that Figure 2-1 indicates that the  
19 Supplementary Filing Peak Demand Forecast reaches approximately 370 TJ/d by  
20 2039.

21

22 **Response:**

23 As shown in the response to BCUC Supplementary IR1 1.2, the Supplementary Filing Forecast  
24 reaches 368 TJ/d in 2039.

25  
26

27

28 31.6 To what factors does FEI attribute the change in forecast peak demand between  
29 the Updated Application and the Supplementary Filing?

30

31 **Response:**

32 Please refer to the response to BCUC Supplementary IR1 1.3.

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1            31.7    Why has FEI not resized the OCU Project given that the Supplementary Filing  
 2                    Peak Demand Forecast indicates only about one half as much incremental peak  
 3                    demand growth by 2039 as the Peak Demand Forecast in the Updated  
 4                    Application?  
 5

6            **Response:**

7            Please refer to the response to BCUC Supplementary IR1 13.2.  
 8  
 9

10  
 11            31.8    Please provide a version of Figure 2-1 showing Before-DSM and After-DSM.  
 12

13            **Response:**

14            FEI does not apply possible future changes/impacts from DSM to its peak demand forecast and  
 15            therefore is unable to provide the requested version of Figure 2-1. Please refer to the response  
 16            to BCUC Supplementary IR1 3.9.1 as well as the responses to RCIA IR1 4.1 and BCSEA IR1  
 17            3.12, 7.2 and 8.1 for further explanation.  
 18  
 19

20  
 21            31.9    Please quantify the Supplementary Filing Peak Demand Forecast in terms of net  
 22                    customer additions and peak demand per customer.  
 23

24            **Response:**

25            In the response to BCUC Supplementary IR1 3.3, FEI provided the peak use per customer, or  
 26             $UPC_{peak}$  values, for core customers by year. The 2022 values were used in the preparation of the  
 27            Supplementary Filing Forecast.

28            The following table shows the 2022 year-end customer accounts by rate and annual growth rates  
 29            used in the Supplementary Filing Peak Demand Forecast. Please also refer to the response to  
 30            BCUC Supplementary IR1 1.4.

Year	Forecast Account Growth by Rate Class			
	1	2	3	23
2022 Year End	186,700	17,208	713	179
2023	0.7%	0.6%	1.2%	1.2%
2024	0.7%	0.6%	1.2%	1.2%

Year	Forecast Account Growth by Rate Class			
	1	2	3	23
<b>2022 Year End</b>	<b>186,700</b>	<b>17,208</b>	<b>713</b>	<b>179</b>
2025	0.6%	0.6%	1.1%	1.1%
2026	0.6%	0.6%	1.1%	1.1%
2027	0.6%	0.6%	1.1%	1.1%
2028	0.5%	0.6%	1.1%	1.1%
2029	0.5%	0.6%	1.2%	1.1%
2030	0.5%	0.6%	1.2%	1.1%
2031	0.5%	0.6%	1.2%	1.1%
2032	0.5%	0.6%	1.2%	1.1%
2033	0.5%	0.6%	1.1%	1.1%
2034	0.5%	0.6%	1.1%	1.1%
2035	0.5%	0.6%	1.1%	1.1%
2036	0.5%	0.6%	1.1%	1.1%
2037	0.5%	0.6%	1.1%	1.0%
2038	0.4%	0.6%	1.1%	1.0%
2039	0.4%	0.6%	1.1%	1.0%
2040	0.4%	0.6%	1.0%	1.0%
2041	0.4%	0.6%	1.0%	1.0%

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31.10 What DSM assumptions are used in the Supplementary Filing Peak Demand Forecast?

**Response:**

Please refer to the response to RCIA IR1 4.1.

31.11 Would FEI curtail new customer additions in the subject area if the OCU Project was not built for whatever reason?



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1 **Response:**

- 2 Depending on the attachment location within the system and the load of the potential customer,
- 3 FEI would have to consider deferring the attachment of new firm customers if the OCU Project
- 4 (or an alternate project) was not built.



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1    **32.0   Topic:           ITS Peak Demand -- Historical**

2                                 **Reference: Exhibit B-35, Supplementary Filing, p.5, pdf p.11**

3           FEI states:

4                                 “The historical peak demand for the ITS, titled “ITS Peak Demand – Historical”,  
5                                 can be seen in Figures 2-1 and 2-2 above. The curve represents the calculated  
6                                 peak demand based on actual customer attachment and load data. ...”

7           32.1   Is “ITS Peak Demand – Historical” is weather adjusted? If so, please provide a  
8                                 version of Figure 2-1 showing “ITS Peak Demand – Historical” both weather  
9                                 adjusted and not weather adjusted.

10  
11    **Response:**

12    Please refer to the response to BCUC Supplementary IR1 1.11.

13

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1   **33.0   Topic:           Project Cost Estimate**

2                                   **Reference: Exhibit B-35, Supplementary Filing, section 3. Project**  
3                                   **Cost Estimate and Schedule, p.7, pdf p.13**

4           FEI states:

5                                   “In March 2023, FEI updated the construction component of the Base Estimate for  
6                                   the OCU Project. The scope of the update was limited to rate increases for labour  
7                                   and materials, and increases to material cost, effectively updating the estimate to  
8                                   2023\$.”

9           33.1   What components of the cost estimate for the OCU Project were not updated in  
10                                   March 2023? Why?

11  
12   **Response:**

13   FEI confirms that all aspects of the base cost estimate (labor, equipment and materials) have  
14   been updated to reflect 2023 market prices. In addition, contingency, management reserve,  
15   escalation, and AFUDC were updated to reflect changes to the base estimate. The only  
16   components that FEI did not revise were the productivity factors and the quantities of labour and  
17   materials for the reasons explained in the response to BCUC Supplementary IR1 16.2.

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21           FEI states under the heading 3.1 Assumptions:

22                                   “The following assumptions were used in preparing the updated estimate:

- 23                                   • The alignment of the pipeline route described in the Updated Application  
24                                   remained the same;
- 25                                   • The production rates assumed for contractors in 2020 remained the same; and
- 26                                   • The duration for the works and the construction season constraints remained  
27                                   the same except that the OCU Project start date shifted to May 2023, with  
28                                   completion in May 2026.”

29           33.2   Is the alignment of the pipeline route described in the Updated Application not  
30                                   affected by FEI’s negotiations with PIB?

31  
32   **Response:**

33   Please refer to the confidential response to RCIA Supplementary IR1 52.1.

34  
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1  
2           33.3   Does “production rates” for contractors refer to the prices charged by contractors  
3                   or to the pace of their work (i.e., productivity)?  
4

5   **Response:**

6   Please refer to the response to BCUC Supplementary IR1 16.2. The production rates refer to the  
7   pace of work or productivity.

8  
9  
10  
11           33.4   Why is it reasonable to assume that the production rates for contractors in 2020  
12                   would remain the same at the present time?  
13

14   **Response:**

15   Please refer to the response to BCUC Supplementary IR1 16.2.

16  
17  
18  
19           33.5   Given the current regulatory timetable and the uncertainty regarding whether FEI  
20                   and PIB will reach an agreement with respect to the OCU Project, why is the  
21                   updated cost estimate based on the OCU Project start date being May 2023?  
22

23   **Response:**

24   As described in Section 2.2 of the Supplementary Filing, there is an imminent need for the OCU  
25   Project to address capacity requirements. FEI commenced time sensitive, critical work in May  
26   2023 to de-risk the overall OCU Project schedule. The work taking place in the remainder of 2023  
27   is required to finalize the alignment and includes the following:

- 28           • Seasonal environmental and archaeological work. If this work is not completed this year,  
29                   it will delay construction one full year beyond the current plan;
- 30           • Geotechnical work to finalize the Penticton Creek crossing;
- 31           • Finalizing municipal agreements; and
- 32           • Executing land acquisition agreements.

33   In consideration of the above, FEI undertook some work commencing in May 2023 and those  
34   costs are included in the updated cost estimate. At this time, FEI continues to anticipate



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1 commencing construction early in 2025 and expects to complete construction in 2026. This  
2 timeframe accounts for the seasonal construction constraints which are currently known.

3  
4

5

6 33.6 Please explain how basing the updated cost estimate on a start date of May 2023  
7 jibes with FEI's statement on p.10 of the Supplementary Filing that "The  
8 preliminary OCU Project execution schedule is based on receiving CPCN approval  
9 by December 2023 and an assumed construction start of Q1 2025."

10

11 **Response:**

12 Please refer to the response to BCSEA Supplementary IR1 33.5.

13

14

15

16 33.7 In light of seasonal construction constraints, what is a reasonable OCU Project  
17 start date and completion date?

18

19 **Response:**

20 Please refer to the response to BCSEA Supplementary IR1 33.5.

21

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1    **34.0   Topic:            Estimated Costs**

2                               **Reference: Exhibit B-35, Supplementary Filing, 3.3 Summary of**  
3                               **Project Costs Estimate, p.9, pdf p.15; Table 3-1: Summary of**  
4                               **Forecast Capital and Deferred Costs**

5            34.1   Can it be summarized that the Total Project Cost Estimate (As-Spent) for the OCU  
6                    Project is now \$327.410 million, up \$54.704 million from the estimate in the  
7                    Updated Application?

8

9    **Response:**

10   FEI confirms that the Total Project Cost Estimate (As-Spent) is now \$327.410 million. However,  
11   as explained in the response to BCUC Supplementary IR1 16.1, there were some calculation  
12   errors in the “Change” column of Table 3-1 of the Supplementary Filing. As such, the correct  
13   increase to the Total Project Cost Estimate is \$56.075 million, not \$54.704 million. Please refer  
14   to the response to BCUC Supplementary IR1 16.1 for the corrected Table 3-1.

15

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1    **35.0    Topic:            Proposed Renewable Gas Connections Program**

2                                    **Reference: Exhibit B-35, Supplementary Filing, section 6. Provincial**  
3                                    **Government Energy Objectives and Policy Considerations**

4            35.1    What assumptions were used in the Supplementary Filing Peak Demand Forecast  
5                                    regarding whether new residential connections would be subject to FEI's proposed  
6                                    Renewable Gas Connections Program?

7            35.2    If the proposed Renewable Gas Connections Program was implemented, would  
8                                    this increase the Peak Demand Forecast? If so, by how much? If not, would the  
9                                    number of new residential connections in the Project-relevant area be lower than  
10                                   otherwise?

11  
12    **Response:**

13    FEI confirms that BCUC approval of the Renewable Gas Connections Program was not an input  
14    to the peak demand forecast. Further, FEI does not expect that the outcome of the Renewable  
15    Gas Connections Program will have a marked impact on the forecast of customers or peak  
16    demand for the ITS as continued gas deliveries (including the use of low carbon and renewable  
17    gas) to buildings is critical for meeting peak winter energy demand and maintaining a resilient,  
18    overall energy system in BC. Even in cases where gas may be relied upon to back up electric  
19    systems (i.e., in situations where dual fuel systems are installed in buildings), FEI anticipates that  
20    peak demand will remain the same for such customers. Given the extreme cold winter  
21    temperatures in the area served by the OCU Project and the high cost and challenges associated  
22    with upgrading the electric system to handle peak heating energy requirements as evidenced by  
23    the Kelowna Electrification Case Study<sup>1</sup>, FEI anticipates that even if the Renewable Gas  
24    Connections Program is not approved and electric heat pumps become the predominant  
25    technology for heating in buildings, customers are expected to continue using gas (including low  
26    carbon and renewable gases) to meet their peak heating needs.

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<sup>1</sup> FEI 2022 Long Term Gas Resource Plan Proceeding, Exhibit B-20.

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1   **36.0   Topic:           Expansion of Natural Gas Distribution System**

2                               **Reference: Exhibit B-35, Supplementary Filing, section 6. Provincial**  
3                               **Government Energy Objectives and Policy Considerations, p.20, pdf**  
4                               **p.26, et. seq.**

5           FEI cites the *CleanBC Roadmap to 2030* as follows:

6                               “... To help drive this transition, we will introduce a GHG emissions cap that will  
7                               require gas utilities to undertake activities and invest in technologies to further  
8                               lower GHG emissions from the fossil natural gas used to heat homes and buildings  
9                               and power some of our industries.

10                              Following further modelling and analysis, the cap will be set at approximately 6 Mt  
11                              of CO<sub>2</sub>e per year for 2030, which is approximately 47% lower than 2007 levels.  
12                              Since emissions from gas consumption are linked to industry (excluding oil and  
13                              gas) and the built environment, the cap is consistent with emissions targets for  
14                              those sectors.

15                              Utilities will determine how best to meet the target, which could include acquiring  
16                              more renewable gases as well as supporting greater energy efficiency. Measures  
17                              in CleanBC allow gas utilities to use renewables such as synthetic gas,  
18                              biomethane, green and waste hydrogen and lignin to achieve this.” [footnote  
19                              omitted]

20           FEI continues:

21                              “CleanBC anticipates significant investment in renewable and low carbon gases  
22                              which require gas infrastructure, like the OCU Project, to be delivered to  
23                              customers. As a result, maintaining a robust gas system is essential to meeting  
24                              provincial climate targets and aligning with provincial energy objectives.”

25           36.1    Would FEI agree that the *CleanBC Roadmap to 2030* does not explicitly address  
26                              whether BC natural gas distribution system should be expanded to meet load  
27                              growth at the same time as the natural gas distribution system is reducing its GHG  
28                              emissions to meet a hard cap in 2030?

29  
30    **Response:**

31    As noted in the preamble to this IR, although the CleanBC Roadmap does not explicitly address  
32    issues related to the expansion of the BC gas distribution system to meet load growth, it clearly  
33    outlines the importance of leveraging BC’s pipeline infrastructure as well as the autonomy of gas  
34    utilities to determine how best to meet CleanBC targets in the interests of customers. The  
35    following are excerpts from the CleanBC Roadmap to 2030:



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1 "B.C.'s existing pipeline infrastructure can play an important role in reducing  
2 greenhouse gases by transitioning away from delivering fossil natural gas to  
3 delivering renewable gas. B.C.'s gas utilities have been leaders in enabling this  
4 transition."<sup>2</sup>

5 "...utilities will determine how to meet the target [associated with the GHG  
6 emissions cap]."<sup>3</sup>

7 FEI's interpretation of the CleanBC Roadmap and the pathways to achieve the GHG emissions  
8 cap is that expansion of the gas system to meet capacity constraints is consistent with these  
9 goals. Provided that renewable and low carbon gases, highly efficient end-use technologies like  
10 hybrid heating systems, and other strategies can be deployed, relieving capacity constraints  
11 through the OCU Project aligns with the CleanBC Roadmap's GHG reduction goals.

12

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<sup>2</sup> [https://www2.gov.bc.ca/assets/gov/environment/climate-change/action/cleanbc/cleanbc\\_roadmap\\_2030.pdf](https://www2.gov.bc.ca/assets/gov/environment/climate-change/action/cleanbc/cleanbc_roadmap_2030.pdf). Page 29.

<sup>3</sup> Ibid.

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1    **37.0    Topic:            Long-term demand for natural gas**

2                            **Reference: Exhibit B-35, Supplementary Filing, Decision and Order**  
3                            **G-62-23**

4            In its reasons for decision in Order G-62-23 regarding FEI's Tilbury LNG Storage  
5            Expansion Project, the Panel states:

6                            “In Section 5.2.1 of this Decision, we discuss the issue of future demand for natural  
7                            gas and find a significant probability that demand for natural gas will be reduced  
8                            compared to the demand today.”

9            In Section 5.2.1, the Panel states in part:

10                            “Evidence submitted by FEI in other proceedings reinforces the considerable  
11                            uncertainty around the expected future demand for natural gas. In the BCUC  
12                            Generic Cost of Capital Stage 1 (GCOC) proceeding, FEI submitted that “the  
13                            provincial government’s recently updated CleanBC Roadmap to 2030  
14                            (Roadmap)... is anticipated to have a significant impact on FEI’s competitive and  
15                            operational landscape with implications for FEI’s customer rates and  
16                            throughput.”<sup>127</sup> [Emphasis added by BCUC Panel]

17            37.1    Would FEI agree that there is considerable uncertainty around the expected future  
18                            demand for natural gas in BC?

19  
20    **Response:**

21    Over the long-term, FEI agrees that there is uncertainty around potential future annual natural  
22    gas demand as discussed in the 2022 LTGRP scenarios. However, FEI forecasts that over the  
23    short- to medium-term, peak demand requirements in the area served by the OCU Project will  
24    continue to grow as shown in the Updated Application and Supplementary Filing, and that over  
25    the long term the gas transmission and distribution systems will continue to be relied upon to  
26    serve peak energy needs. Similarly, as discussed in the response to BCSEA Supplementary IR1  
27    36.1, the Province has indicated that renewable and low carbon gas demand will play an important  
28    role in the success of the CleanBC Roadmap to 2030.

29

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1    **38.0    Topic:           Penticton Indian Band**

2                           **Reference: Exhibit B-35, Supplementary Filing, section 5.2.3**  
3                           **Penticton Indian Band, p.19, pdf p.25; Appendix D, Indigenous**  
4                           **Engagement Log**

5           FEI states:

6                           “The BCUC regulatory process was adjourned on February 23, 2022. Following  
7                           the adjournment, PIB and FEI continued discussions regarding the OCU Project.  
8                           On March 31, 2023, FEI advised the BCUC that discussions between PIB and FEI  
9                           were progressing well. FEI remains optimistic and anticipates advising the BCUC  
10                          whether FEI and the PIB can reach an agreement with respect to the OCU Project  
11                          in the coming months. FEI is seeking PIB’s consent for the OCU Project in that  
12                          agreement. While the discussions between FEI and PIB remain confidential, FEI  
13                          plans to file any final agreement reached with the BCUC on a confidential basis  
14                          once completed. This Supplementary Filing takes into account FEI’s most up-to-  
15                          date understanding of the implications of the requirements of an agreement on the  
16                          OCU Project, including with respect to cost and schedule.” [pdf p.25, underline  
17                          added]

18           38.1    What will FEI do about the OCU Project if the Penticton Indian Band does not  
19                          consent to the Project?

20  
21    **Response:**

22    Please refer to the response to BCOAPO Supplementary IR1 8.6.

23  
24

25  
26           38.2    FEI anticipates advising the BCUC whether FEI and the PIB can reach an  
27                          agreement with respect to the OCU Project in the coming months. Does this  
28                          include both outcomes, i.e., an agreement and no agreement?

29                          38.2.1    Is the timeframe for informing the BCUC the same for each outcome?

30                          38.2.2    Does FEI expect to inform the BCUC (regarding whether FEI and PIB  
31                          have reached an agreement with respect to the OCU Project) prior to the  
32                          July 14, 2023 deadline for FEI’s responses to information requests on the  
33                          Supplementary Filing?

34                          38.2.3    Does FEI expect to inform the BCUC (regarding whether FEI and PIB  
35                          have reached an agreement with respect to the OCU Project) prior to the  
36                          July 24, 2023 deadline for intervener submissions on the need for further  
37                          regulatory process?





FortisBC Energy Inc. (FEI or the Company) Application for a CPCN for the Okanagan Capacity Upgrade (OCU) Project (Application)	Submission Date: July 14, 2023
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1  
2 **Response:**  
3 FEI confirms that it will advise the BCUC whether or not FEI and the PIB are able to reach an  
4 agreement with respect to the OCU Project (i.e., FEI will advise the BCUC of either outcome) and  
5 expects that the timeframe for informing the BCUC would be the same regardless of the outcome.  
6 FEI does not expect to be able to inform the BCUC of the outcome of a definitive agreement with  
7 the PIB prior to the July 24, 2023 deadline for intervenor submissions on the need for further  
8 regulatory process.

9  
10  
11  
12 38.3 What does FEI propose should happen with the evidence filed by the Penticton  
13 Indian Band in this proceeding if (a) FEI and PIB reach an agreement or (b) FEI  
14 and PIB do not reach an agreement?

15  
16 **Response:**  
17 FEI does not currently have a position on the treatment of the evidence filed by the PIB, regardless  
18 of whether FEI and the PIB reach an agreement regarding the OCU Project.  
19