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July 14, 2023

Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
Vancouver Centre II
2900 – 733 Seymour Street
Vancouver, BC
V6B 0S6

Attention: Patrick J. Weafer

Dear Patrick J. Weafer:

Re: FortisBC Energy Inc. (FEI)

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

Response to the Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 1 on Supplementary Filing

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 CEC IR No. 1 on Supplementary Filing.

FEI requests that a portion of the responses to CEC Supplementary IR1 6.1, 7.1 and 10.1, which are redacted in the public version, be filed on a confidential basis, pursuant to Section 18 of the BCUC's Rules of Practice and Procedure regarding confidential documents as set out in Order G-72-23 for the reasons described below.

- Response to CEC Supplementary IR1 6.1 - The confidential information is commercially sensitive information that should remain confidential in perpetuity because, if disclosed, may prejudice negotiations with other parties in the future.
- Responses to CEC Supplementary IR1 7.1 and 10.1 – The confidential information is commercially sensitive information that cannot be disclosed under the terms of an agreement between FEI and the Penticton Indian Band with respect to their negotiations. Further, the confidential information should remain confidential in perpetuity as disclosure may harm or prejudice negotiations with other parties in the future.

The confidential responses are being filed with the BCUC under separate cover and will be made available to registered parties with signed Confidentiality Declarations and Undertakings filed on the record in this proceeding.

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

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1. **Reference: Exhibit B-35 pages 3, 4 and 5**

2.1 FEI UPDATED THE PEAK DEMAND FORECAST FOR THE ITS

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

Figure 2-1: Supplementary Filing Peak Demand Forecast

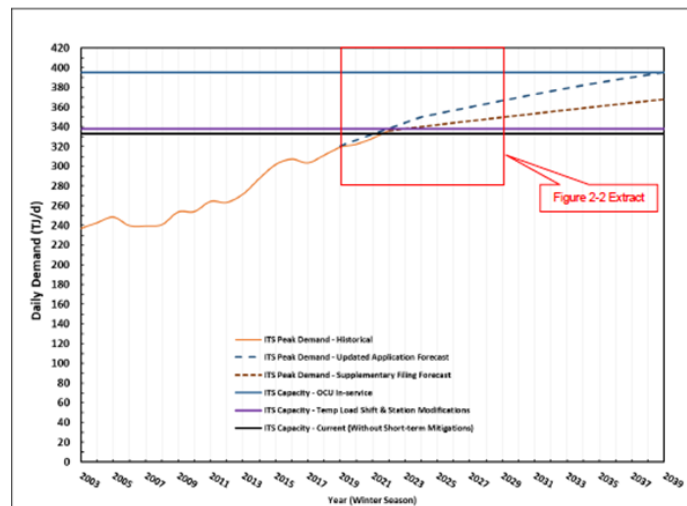
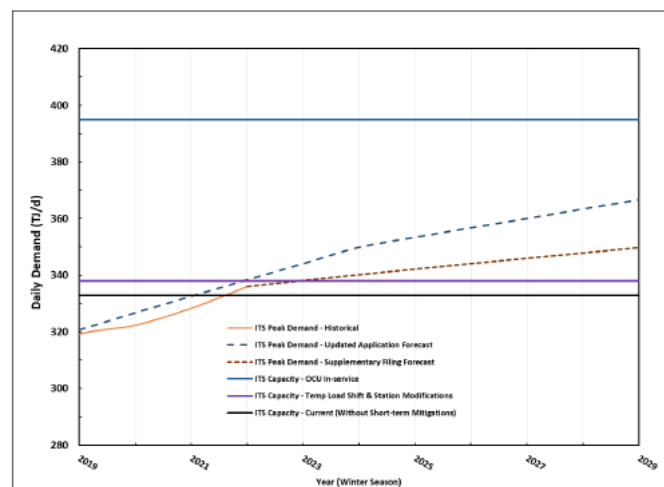


Figure 2-2: Extract from Supplementary Filing Peak Demand Forecast



1.1 Please provide the data for the peak demand forecast in table form.

Response:

Please refer to the response to BCUC Supplementary IR1 1.2.

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1.2 As noted in FEI's document, the peak demand forecast is significantly lower than that used in the updated Application. Please provide FEI's understanding of the reasons for the change in FEI's peak demand forecast.

Response:

Please refer to the response to BCUC Supplementary IR1 1.3.

1.3 When will FEI next update its peak demand forecast?

Response:

The 2023 Peak Demand Forecast will be complete by the end of Q3 2023.

1.4 To the extent that FEI's future forecasts offer continuing declines in peak demand growth, would it be reasonable for FEI to consider deferring the project?

1.4.1 If yes, please provide an estimate of the level of reduction in the forecast peak demand growth that would be necessary for FEI to consider deferring the project. Please explain and provide quantification.

1.4.2 If no, please explain why not.

Response:

It would not be reasonable to defer the OCU Project. As noted in the Supplementary Filing, the historical peak demand currently exceeds ITS capacity, and peak demand is forecast to increase over time. The ITS system requires an imminent capacity expansion to ensure FEI's customers continue to receive reliable service during cold weather conditions.

FEI emphasizes that, though the Supplementary Filing Forecast shows lower peak demand relative to the Updated Application forecast, both forecasts show continued peak demand growth over time.

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1 **2. Reference: Exhibit B-35, page 5 and 6**

Figures 2-1 and 2-2 above also show that demand is forecast to exceed the ITS capacity with short-term mitigation measures² in place, resulting in an expected capacity shortfall. With the temporary load shifting and station modification measures in place, a capacity shortfall is expected this winter (i.e., Winter 2023-24), as shown by the intersection of the Supplementary Filing Forecast line and the line titled "ITS Capacity – Temp Load Shift & Station Modifications".

FEI has also worked with Westcoast Energy Inc. (WEI) on an additional short-term capacity mitigation wherein WEI will attempt to provide FEI with a minimum Savona tap pressure of 650 psig. Incorporating this additional measure (i.e., with the Temporary Load Shifting, Station Modifications, and Savona Tap Pressure Increase all being in place), results in the Supplementary Filing Forecast deferring the predicted capacity shortfall to no later than Winter 2026-27. FEI notes that no firm contractual obligation exists to provide this tap pressure between FEI and WEI, and as such, there is no guarantee of the availability of this temporary measure.

As the 2022 historical peak demand exceeds the existing ITS capacity, and as the Supplementary Filing Forecast shows that demand will soon exceed the ITS capacity with short-term mitigations in place, the need identified in Section 3.4 of the Updated Application remains, and FEI must still proceed with the OCU Project to provide service to customers.

- 2
- 3 2.1 Would FEI be able to develop a firm contractual obligation with Westcoast Energy
- 4 Inc (WEI) for tap pressure such that the availability of temporary measures could
- 5 be largely guaranteed? Please explain.
- 6 2.1.1 To the extent that the availability of temporary measures can defer the
- 7 capacity shortfall by approximately 3 years, would it be acceptable for the
- 8 project to be deferred by one, two or three years if such measures could
- 9 be assured? Please explain and provide quantification if a temporary
- 10 deferral could be appropriate.

11

12 **Response:**

13 No. While WEI has indicated a willingness to provide FEI with a minimum Savona tap pressure

14 of 650 psig for a limited period, WEI is unable to guarantee that this tap pressure will be available

15 at all times during this period or any other period. WEI's inability to provide this guarantee prevents

16 the development of a firm contractual obligation in this regard. As such, the OCU Project cannot

17 be deferred.

18 Further, FEI requires the 650 psig tap pressure to mitigate the expected capacity shortfall through

19 to Winter 2026/27, which aligns with FEI's expected in-service date for the OCU Project of 2026.

20 Should the OCU Project be delayed beyond the expected in-service date and, therefore, not be

21 available for Winter 2026/27, FEI would expect to experience a capacity shortfall in the Winter of

22 2026/27 if design degree conditions are realized.

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1 **3. Reference: Exhibit B-35, page 8**

2 **3. PROJECT COST ESTIMATE AND SCHEDULE**

3 FEI retained an Engineering Consultant³ to complete an AACE Class 3 cost estimate for the construction component of the OCU Project described in the Estimate Basis Memorandum (EBM).⁴ This Class 3 construction estimate was added to FEI's Owner's Class 3 estimate for project support services and project management to form the Base Estimate for the OCU Project.

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

5 ³ Solaris Management Consultants Inc.

6 3.1 When did FEI retain the Engineering Consultant (Solaris) to complete the AACE Class 3 cost estimate?

7 **Response:**

8 Solaris was retained in August 2019 to develop the maturity level of project definition deliverables and prepare a cost estimate and schedule to meet the requirements of an AACE Class 3 cost estimate. They fulfilled their scope of work in October 2020 with the FEED document, engineering drawings, cost estimate and schedule provided in the Updated Application.

12 3.2 Did FEI update the Base Estimate itself, or did FEI use an engineering consultant to update the estimate? Please explain.

13 3.2.1 If FEI updated the estimate on its own, please explain why and provide the qualifications of the individuals doing the updating.

14 3.2.2 If FEI updated the estimate on its own, did FEI seek a review by Solaris or any other third-party qualified engineering consultant? Please explain.

15 **Response:**

16 FEI retained the services of Joseph Sukhnandan from Sukhnandan Consulting Inc. to assist with updating the construction component of the OCU Project cost estimate. Mr. Sukhnandan was previously employed by FortisBC. Please also refer to the response to BCUC Supplementary IR1 17.1.

17 FEI did not seek a review by Solaris or any other third-party qualified engineering consultants of the entire Base Estimate because the pipeline alignment has not changed, meaning that the quantities and productivity factors remain unchanged within the revised cost estimate and only updates to rates and vendor pricing were required. With regard to the Owner's costs, similar to how these costs were prepared for the Application, FEI used internal resources to prepare the

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1 updated cost estimate for the Supplementary Filing. This approach to updating the Owner's costs
2 is appropriate because many of the resources are internal positions and the salaries and benefits
3 are readily available. Please also refer to the responses to the BCUC Supplementary IR1 16
4 series.

5

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1 **4. Reference: Exhibit B-35, page 8**

One of the contractors engaged for both of the above projects provided bids in 2023\$ for equipment and labour resources which can be used as a basis to estimate costs for other pipeline construction projects. As such, FEI has used the updated rates for both labour and equipment for the OCU Project as they reflect current market conditions and union labour rates.

3.2.2 Labour and Equipment Rates

The construction estimate in the EBM consists of two tables of rates: *Attachment B.4 Labour Rates* and *Attachment B.5 Equipment Rental Rates*. FEI determined that five different crew rates and seven different equipment rates totalled over 80 percent of the total labour and equipment costs respectively. For each of these labour and equipment rates, the 2023 unit rates used in the IGU and EGP projects were reviewed and the average of the two rates was computed. The average change in labour rates was an approximately 8.9 percent increase and the average change in equipment rates was an approximately 8.8 percent increase. These percent increases were applied to each of the labour and equipment resource rates in the estimate. This maintains the validity of the original estimate basis as it is consistent with how the inflation metric is computed by analyzing the net impact on prices rather than focusing on individual items.

2

3 4.1 Did FEI rely solely on the evidence of a single contractor already employed by FEI
4 for updating its cost estimate? Please explain.

5

6 **Response:**

7 Please refer to the response to BCUC Supplementary IR1 16.4.

8

9

10

11 4.2 What efforts did FEI undertake to ensure that the cost estimates provided by its
12 contractor represent competitive pricing?

13

14 **Response:**

15 Please refer to the response to BCUC Supplementary IR1 16.4.

16

17

18

19 4.3 Please provide inflation data from the government or any other credible external
20 sources that might otherwise be used to estimate price increases for the relevant
21 labour and equipment costs.

22

23 **Response:**

24 As referenced in the preamble, the average increases in labour and equipment rates used in the
25 Supplementary Filing are approximately 8.9 percent and 8.8 percent, respectively. As explained

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1 in the response to BCUC Supplementary IR1 16.4, these updated rates are based on bids from
2 recent projects (i.e., the EGP and the IGU projects); they are not based on inflation data from
3 governmental or other external price data.

4 However, in order to be responsive, FEI notes that the BC CPI increase from 2020 to 2022 was
5 approximately 9.9 percent (see CEC Supplementary IR1 5.2 for the calculation of the 9.9 percent).
6 FEI used the BC CPI data to update the subcontractor rates that are not covered by the updated
7 contractor quotations, as explained in Section 3.2.3 of the Supplementary Filing.

8 FEI also considered the Wood Mackenzie market report as provided in FEI's 2023 Annual
9 Review,¹ which showed that the average escalation in labour costs for gas utilities in North
10 America between the period from the first quarter of 2020 to the first quarter of 2022 is
11 approximately 11.8 percent.

12 For the purposes of updating the labour and equipment cost estimates, FEI considers that
13 applying price escalations calculated from recent bids for projects that have similar characteristics
14 in terms of work and location is the most reasonable approach. When possible and if available,
15 recent bids from similar projects that are obtained through a competitive bidding process can be
16 a better indicator of the current market pricing for both labour and equipment rates than using
17 generic inflation data from government or other external sources. FEI notes that in some
18 instances, FEI uses inflation data from government or other external sources for price escalation.
19 For example, FEI applied the BC CPI price escalations to approximately 30 percent of the Project
20 subcontractor costs that are not covered by updated contractor quotations, as noted above and
21 in Section 3.2.3 of the Supplementary Filing.

¹ FEI Annual Review for 2023 Delivery Rates, Appendix C3, page 5.

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1 **5. Reference: Exhibit B-35, page 8**

2 **3.2.3 Subcontractors**

3 The rates for subcontractors were adjusted in a similar fashion as the Labour and Equipment
4 Rates discussed in Section 3.2.2. First, an analysis was performed to determine the most
5 impacted subcontracts to the estimate. FEI determined that four subcontractors met the criteria:
6 blasting, clearing and grubbing, non-destructive testing and the Penticton Horizontal Directional
7 Drill. Subsequently, FEI obtained updated quotations from contractors' 2020 quotations. The
8 rates provided by the four subcontractors were used to update the rates used described in
9 Attachment B.6 Subcontract Budget Pricing of the EBM.

10 For all other subcontractors the annual BC CPI index of an approximately 9.9 percent⁵ increase
11 from 2020 to 2022 was applied.

12 ⁵ Reference: https://www2.gov.bc.ca/assets/gov/data/statistics/economy/cpi/cpi_annual_averages.pdf.

13

14 5.1 Please provide the % change that was obtained from the updated quotations.

15

16 **Response:**

17 The percentage change to labour was an increase of approximately 8.9 percent and the
18 percentage change to equipment was an increase of approximately 8.8 percent.

19

20

21

22 5.2 The BC CPI appears to show a % change of +2.8% and +6.9% between 2020 and
23 2022, suggesting an increase of 9.7%. Please clarify the discrepancy or explain
24 why 9.9% was used instead of 9.7%.

25

26 **Response:**

27 Based on the information published by BC Stats in January 2023,² the BC CPI index in 2020 was
28 132.4 and 145.5 in 2022, resulting in a net increase of 13.1 which, divided by 132.4, equals
29 approximately 9.9 percent.

30

² https://www2.gov.bc.ca/assets/gov/data/statistics/economy/cpi/cpi_annual_averages.pdf.

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1 **6. Reference: Exhibit B-35, page 8**

2 **3.2.4 Materials**

FEI obtained updated quotes from vendors for the line pipe and facilities materials. These new values were used in the estimate as direct inputs without any normalizing.

3 **3.2.5 Project Services and Engineering**

The construction estimate for project services and engineering was adjusted by approximately 7.7 percent based on known increases to these services from other recent projects.

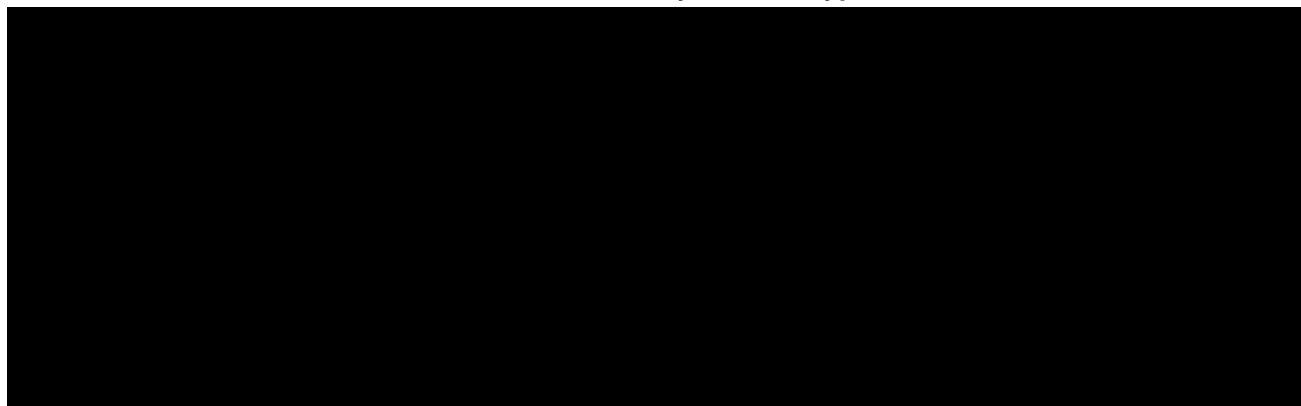
4 6.1 Please provide the % increase for the materials

5 **Response:**

6 A portion of this response is redacted pursuant to Section 18 of the BCUC's Rules of Practice and
7 Procedure regarding confidential documents as set out in Order G-72-23. The confidential
8 information has been redacted as it is commercially sensitive information that should remain
9 confidential in perpetuity because, if disclosed, may prejudice negotiations with other parties in
10 future. The confidential response will be filed with the BCUC under separate cover and will be
11 made available to registered parties with signed Confidentiality Declarations and Undertakings
12 filed on the record in this proceeding.

13 The average percentage increase for all materials was 58 percent. The individual increases for
14 each material type are shown in the Table 1 below. Please also refer to the response to BCUC
15 Supplementary IR1 16.12 for the rationale of using updated quotes from vendors for the material
16 costs in the Supplementary Filing.

17 **Table 1: Increases by Material Type**



18
19
20
21
22 6.2 Please elaborate on the source of information for the Project Services and
23 Engineering cost changes.
24

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1 **Response:**

2 Please refer to the response to BCUC Supplementary IR1 16.13.

3

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1 **7. Reference: Exhibit B-35, page 9**

3.2.6 Owner's Costs

Similar to the Labour and Equipment Costs, the Owner's Costs estimate was analyzed to establish the top contributors to the overall estimate total. The rates for these job titles were compared between the initial FEI 2020 rates and the current 2023 rates, with the average increase applied to all Owner's Costs. The updated Owner's Costs estimate in this

Supplementary Filing also includes FEI's most up-to-date understanding of implications of the requirements of an agreement with Indigenous communities on the Project, as further discussed in Section 5 below.

Table 3-1: Summary of Forecast Capital and Deferred Costs (\$ millions)

Line	Particular	Updated Application (\$Millions)	Supplementary Filing (\$Millions)	Change
1	Construction Cost Estimate (Contractor)	153.486	176.969	23.483
2	Owner's Costs (FEI)	25.137	35.855	10.718
3	Inspection Services (FEI)	8.637	8.689	0.052
4	AC Mitigation, Cathodic Protection, Deactivation (FEI)	0.700	0.755	0.055
5	Subtotal Construction Capital Cost Estimate	187.960	222.268	34.308
6	Contingency	25.100	28.400	3.300
7	Cost Escalation Estimate	11.611	10.185	(1.426)
8	Subtotal w/ Contingency & Escalation	224.671	260.853	36.237
9	CPCN Application Costs	0.400	0.555	0.155
10	Project Development Costs	7.864	17.706	9.841
11	Subtotal w/ Application and Development Costs	232.935	279.114	44.807
12	Management Reserve	23.600	27.800	4.200
13	AFUDC	16.834	22.969	6.136
14	Income Tax Recovery	(2.034)	(2.473)	(0.439)
15	Total Project Cost Estimate (As-Spent)	271.335	327.410	54.704

7.1 Owner's Costs have increased by 42.6%. Please provide a detailed breakdown of the total value for each contributor to Owner's Costs and % change for each of the contributors to the Owner's Costs. Please briefly explain the reason for any increases in excess of 5%.

Response:

A portion of this response is redacted pursuant to Section 18 of the BCUC's Rules of Practice and Procedure regarding confidential documents as set out in Order G-72-23. The confidential information has been redacted as it is commercially sensitive, including information that cannot be disclosed under the terms of an agreement between FEI and the PIB with respect to their negotiations. Further, the confidential information should remain confidential in perpetuity as disclosure may harm or prejudice negotiations with other parties in the future. The confidential response will be filed with the BCUC under separate cover and will be made available to registered parties with signed Confidentiality Declarations and Undertakings filed on the record in this proceeding.

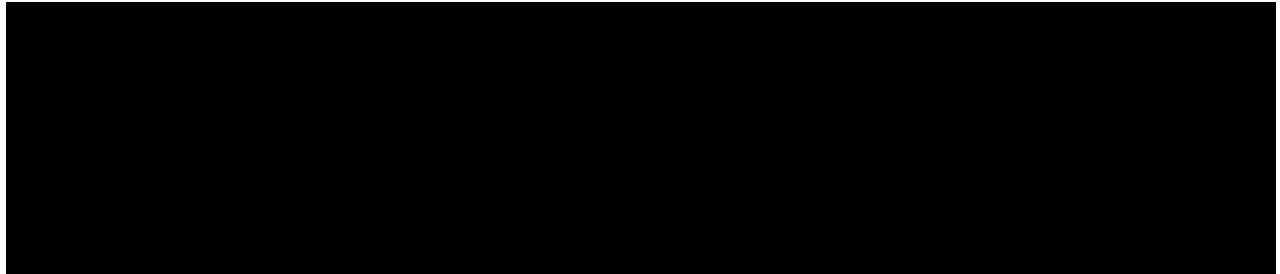
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1 Please refer to Table 1 below for the breakdown of the Owner's costs as well as the increases.



4 For the increases in the other components of the Owner's costs, i.e., project services and
5 engineering costs, the majority of the increases are due to the estimated salary increase of 7.97
6 percent from 2021 to 2023 discussed in the response to BCUC Supplementary IR1 16.13. The
7 remaining 2.03 percent increase in project services is primarily due to the increase in project
8 insurance, which is estimated based on 0.75 percent of the total OCU Project costs, thus it is
9 higher for the Supplementary Filing than the Updated Application. The remaining 0.93 percent
10 increase in engineering costs is primarily due to the inflationary impact on travel expenses,
11 including vehicle fuel and flights, between the Supplementary Filing and the Updated Application.

12 **Table 1: Breakdown of Increase in Owner's Costs**

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13

14

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1 8. Reference: Exhibit B-35, page 11

Table 3-2: Project Schedule and Milestones

Activity	Date
Pre-Approval Activities	
Continued engagement with PIB to secure consent for the project	May 2023 – Aug 2023
Implement pre-construction Indigenous engagement and activities	Aug 2023 – Jan 2025
Contractor/Consultant Selection and Award	
Procure Engineering Services	Complete
Contractor Tendering and Contract Negotiation – HDD Contractor	Jun 2024 – Dec 2024
Contractor Selection and Contract Negotiation – Mainline Contractor	Jun 2024 – Jan 2025
Detailed Engineering Design and Land Acquisition	
Engineering Detailed Design	Jan 2024 – Sept 2024
Preliminary Land Negotiation - Option to Purchase	Complete
Land Acquisition	Oct 2023 – Dec 2023
Procurement	
Procure Long Lead Items	April 2024 – Oct 2024
Permitting	
BC Energy Regulator Permits	Jan 2024 – Jan 2025
BC Energy Regulator Post Permit Notices	Feb 2025 – Oct 2026
BC Energy Regulator Deactivation Notice of Intent	August 2026
Indigenous Engagement	Jun 2019 – Dec 2026
Federal Permits (Department of Fisheries and Oceans, <i>Species at Risk</i> Act)	Jan 2024 – Jan 2025
Ministry of Transportation and Infrastructure Permits	Jan 2024 – Jan 2025
Municipal Permits	Jan 2024 – Jan 2025
Utility Permits	Jan 2024 – Jan 2025
Environmental and Archaeological Permits	Jan 2024 – Jan 2025
Early Works Construction	
Early Works Mainline Contractor Mobilize to Site (Clearing and ROW Prep)	Jan 2025
HDD Contractor Mobilize to Site	Mar 2025
HDD Construction Complete	Apr 2025
Early Works Complete	May 2025
Demobilization for Early Works	Jun 2025
Mainline Construction	
Mainline Construction Mobilization	Sep 2025
Mainline Construction Complete	Jul 2026
Restoration and Demobilization	Sep 2026 – Oct 2026
Project Close Out	Mar 2027

2
3 8.1 Please explain how FEI will proceed in the event that it is unable to secure PIB
4 consent for the Project.

5
6 **Response:**

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

8
9

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8.2 The Project closeout is expected to occur in Mar 2027. Please explain how FEI will address capacity constraints that are expected to occur before that date.

Response:

OCU Project close-out activities are completed post-construction and gasification and therefore do not impact FEI's ability to address capacity constraints. These close-out activities include collecting construction red-line mark-ups on Issued for Construction drawings, updating the drawings to Record status, updating FEI's systems with the new asset information and securing the records into FEI's File Management System. The activities generally take six months to complete.

The OCU Project schedule estimates that Mainline Construction will be complete in July 2026, with restoration and demobilization occurring by October 2026. The OCU Project is therefore planned to be in service prior to October 2026 in order to address the capacity constraints.

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1 **9. Reference: Exhibit B-35, page 12**

Table 4-1 below summarizes the financial analysis based on the updated project cost estimate as shown in Section 3.3 above plus additional assumptions over the 70-year analysis period (including the construction period), as discussed further below in this section. Details of the financial evaluation of the project can be found in the Financial Schedules included in Confidential Appendix B.

The OCU Project will result in a cumulative delivery rate impact of 2.37 percent by 2027 when all assets as well as closing costs have entered rate base. Please refer to Section 4.3 for further discussion on the delivery rate impact and equivalent bill impact to an average residential customer. Over the 70-year analysis period, the PV of the incremental revenue requirement is approximately \$331.711 million, and the levelized delivery rate impact is 1.78 percent or \$0.093 per GJ. Table 4-2 below summarizes the change in levelized delivery rate impact over the 70-year analysis period between the Updated Application and this Supplementary Filing, demonstrating that the change is small, from 1.62 percent to 1.78 percent.

Table 4-1: Financial Analysis of the Project (\$ millions)

Line	Particular	TOTAL	Reference (Confidential Appendix B, Financial Schedule)
1	Total Capital Costs to Gas Plant in Service (\$ millions)	328.660	Schedule 6, Sum of Line 43 (2023-2026)
2	Incremental Sustainment Capital	43.085	Schedule 6, Sum of Line 43 (2027-2092)
3	Total Incremental Capital Costs over 70 years (\$ millions)	371.744	Line 1 + Line 2
4			
5	Incremental Rate Base in 2027 (\$ millions)	326.165	Schedule 5, Line 19 (2027)
6	Incremental Revenue Requirement in 2027 (\$ millions)	24.788	Schedule 1, Line 11 (2027)
7	PV of Incremental Revenue Requirement 70 years (\$ millions)	331.711	Schedule 10, Line 25
8			
9	Delivery Rate Impact in 2027, compared to 2023 Approved (%)	2.37%	Schedule 10, Line 28 (2027)
10	Levelized Delivery Rate Impact 70 years (%)	1.78%	Schedule 10, Line 32
11	Levelized Delivery Rate Impact 70 years (\$/GJ)	0.093	Schedule 10, Line 45

**Table 4-2: Comparison of Delivery Rate Impacts between the Updated Application and
Supplementary Filing**

	Updated Application	Supplementary Filing	Change
Delivery Rate Impact when all assets entered Rate Base (%)	2.21%	2.37%	0.16%
Levelized Delivery Rate Impact 70 years (%)	1.62%	1.78%	0.16%
Levelized Delivery Rate Impact 70 years (\$/GJ)	\$ 0.073	\$ 0.093	\$ 0.020

The financial evaluation of the OCU Project includes the following assumptions over the 70-year analysis period. FEI applied the same assumptions as in the Updated Application and no new assumptions are introduced in this Supplementary Filing; however, FEI updated these assumptions from the original estimate in 2019 dollars to 2023 dollars.

9.1 Please confirm, or otherwise explain, that the primary reason for the expected increase in the delivery rate impact relative to the updated Application is due to cost increases that were not anticipated by the inflationary assumptions in the updated Application.

Response:

Confirmed. The Original Application was filed in November 2020 and the Updated Application was filed in January 2021, as such the cost estimate was developed in 2019 and 2020. Since

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1 that time, significant unanticipated events have occurred (i.e., continuation of the COVID-19
2 pandemic, global shipping shortages and the conflict between Russia and Ukraine) which have
3 caused significant inflationary pressures on costs, including construction costs. These inflationary
4 pressures, as well as the cost implications of the requirements of an agreement with Indigenous
5 communities, could not have been forecast at the time of preparing the Updated Application.

6

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1 **10. Reference: Exhibit B-35, page 13 and Section 5**

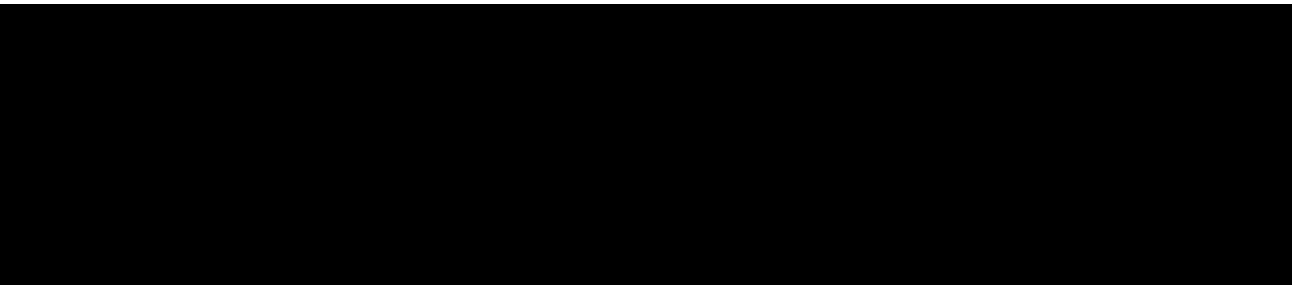
The financial evaluation of the OCU Project includes the following assumptions over the 70-year analysis period. FEI applied the same assumptions as in the Updated Application and no new assumptions are introduced in this Supplementary Filing; however, FEI updated these assumptions from the original estimate in 2019 dollars to 2023 dollars.

- **Incremental O&M:** For the new station estimated at approximately \$5 thousand per year in 2023 dollars and for the additional transmission pipeline estimated at approximately \$25.3 thousand per year. The incremental O&M also includes FEI's most up-to-date understanding of the implications of the requirements of an agreement with Indigenous communities on the Project, as discussed further in Section 5 below;

2
3 10.1 FEI states that no new assumptions are introduced in the Supplementary filing, but
4 that the incremental O&M also includes FEI's most up-to-date understanding of
5 the implications of the requirements of an agreement with Indigenous
6 communities. Please elaborate on any changes that have been identified in the
7 'most up-to-date understanding' of the implications of the requirements of an
8 agreement with Indigenous communities on the Project.

9
10 **Response:**

11 This response is being provided on a confidential basis pursuant to Section 18 of the BCUC's
12 Rules of Practice and Procedure regarding confidential documents as set out in Order G-72-23.
13 The confidential information is commercially sensitive information that cannot be disclosed under
14 the terms of an agreement between FEI and the PIB with respect to their negotiations. Further,
15 the confidential information should remain confidential in perpetuity as disclosure may harm or
16 prejudice negotiations with other parties in the future. The confidential response will be filed with
17 the BCUC under separate cover and will be made available to registered parties with signed
18 Confidentiality Declarations and Undertakings filed on the record in this proceeding.



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29 10.2 Please provide quantification for any additional costs or savings that have arisen
30 out of the new understanding.
31

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1 **Response:**

2 Please refer to the confidential response to CEC Supplementary IR1 10.1.

3

4

5

6 10.3 Please identify where these cost changes have been included in the Application
7 or rate impact analysis.

8

9 **Response:**

10 Please refer to the confidential response to CEC Supplementary IR1 10.1.

11