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July 14, 2023

First Things First Okanagan
434 Scott Avenue
Penticton, BC
V2A 2J8

Attention: Margaret Holm

Dear Margaret Holm:

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 First Things First Okanagan (FTFO) 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 FTFO 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 **Topic: CleanBC Energy Objectives.**

2 **Section 6, page 20: PROVINCIAL GOVERNMENT ENERGY OBJECTIVES**
3 **AND POLICY CONSIDERATIONS**

4 FEI states that the OCU project fits within updated CleanBC policy because of FEI's
5 projected future delivery of a lower-carbon gas mix.

6 “Energy efficiency and conservation measures lower energy use per customer,
7 while the transition to low-carbon gases will gradually decarbonize customer
8 energy use over time by scaling up the overall share of renewable and low-carbon
9 gas supply.”

10 “The diversified pathway proposes that significant investments in energy efficiency
11 will be made, and approximately three-quarters of customer gas demand will be
12 served by renewable or low-carbon gases.”

13 FEI will not fit within updated CleanBC policy if it is unable to purchase low-carbon gases
14 to reduce carbon emissions. Information provided to BCUC in FEI's 2022 Long Term Gas
15 Resource Plan shows that the pathway to providing future low-carbon gases, such as blue
16 hydrogen and biomethane, is highly speculative. It includes the forecasted purchase of
17 notional RNG from out of province, anticipated new bio-methane facilities, and hoped-for
18 purchase of low-carbon gases whose technology, cost and supply is under development
19 and uncertain.

20 6.1 Please confirm current contracts and volumes for low-carbon gases that would
21 allow FEI to fit within 2030 and 2040 CleanBC targets.

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23 **Response:**

24 Currently, FEI has signed a total of 32 RNG agreements, some of which are expected to begin
25 operating over the next 2 to 3 years, for a total annual supply of approximately 18 PJ¹. In Figure
26 6-3 of its 2022 Long-Term Gas Resource Plan (reproduced below)², FEI forecasts the energy
27 supplies from renewable and low carbon gas, along with other carbon reduction initiatives, to
28 achieve the proposed GHGRS Cap in 2030 and meet BC's 2040 GHG emissions reduction target.

29 While FEI is assertively expanding its supply of renewable and low-carbon gases through project
30 development partnerships and offtake agreements, achieving the volumes of supply required in
31 the Diversified Energy Planning scenario will require further policy support from the provincial
32 government. Provincial regulations like the *Greenhouse Gas Reduction (Clean Energy)*
33 *Regulation* (GGRR) will require amendments and/or new policies like a greenhouse gas
34 emissions cap for natural gas utilities that will enable FEI to comply with the goals of the CleanBC

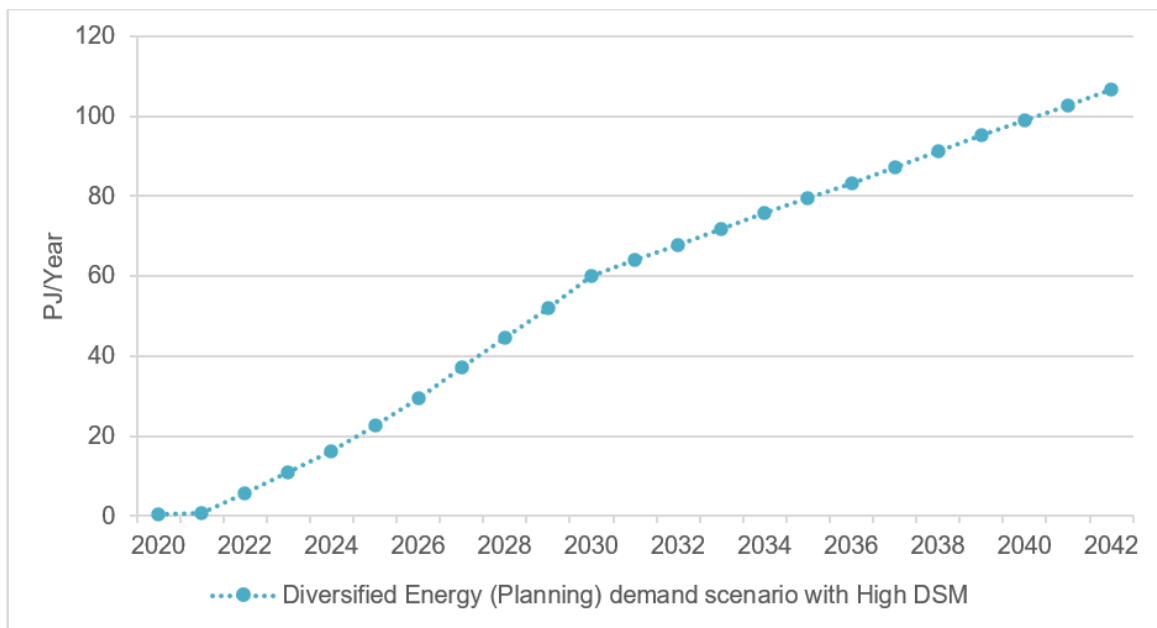
¹ Please also see the 2022 Long-Term Gas Resource Plan proceeding, Exhibit B-6, FEI Response to BCUC IR1 52.5.

² FEI 2022 Long-Term Gas Resource Plan, page 6-12.

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1 Roadmap. Currently, the GRRR has a maximum volume cap of renewable gases that FEI can
 2 produce or acquire of approximately 30 PJ, which is insufficient to reach the goals of the
 3 Roadmap. The GHG emissions cap for natural gas utilities has not been implemented and few
 4 details are known about the policy, creating uncertainty as to the total volume of renewable gases
 5 required and other GHG abatement pathways open to FEI. FEI's progress to align with the 2030
 6 goals and beyond therefore also depends on provincial actions.

1 **Figure 6-3: Forecast Renewable and Low-Carbon Gas Supply**



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11 6.2 Please indicate if the purchase of notional RNG from outside of British Columbia
 12 has been confirmed as an acceptable method of meeting CleanBC requirements.

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14 **Response:**

15 The use of RNG from outside of BC is considered acceptable. Both the Government of BC and
 16 the BCUC recognize the acquisition of RNG from outside of BC.

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- 1 • The *Greenhouse Gas Reduction (Clean Energy) Regulation* (GGRR) directly supports
2 CleanBC³ and specifically recognizes RNG as a means of reducing emissions in BC.
3 Further, the GGRR does not exclude purchases of RNG from outside of BC.
- 4 • The BCUC recently issued its Phase 2 Report in its Inquiry into the Acquisition of
5 Renewable Natural Gas by Public Utilities in BC which explicitly indicated that RNG⁴ is
6 acquired regardless of the location of the production.

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10 Further, on page 20 FEI states that energy efficiency and conservation measures will help
11 meet GHG reduction targets.

12 “Two key pillars in the Clean Growth Pathway are transitioning to renewable and
13 low-carbon gases and investing in energy efficiency and conservation measures
14 to reduce energy use among FEI’s customers. These two pillars work together to
15 ensure that GHG reduction targets can be achieved. Energy efficiency and
16 conservation measures lower energy use per customer, while the transition to low-
17 carbon gases will gradually decarbonize customer energy use over time by scaling
18 up the overall share of renewable and low-carbon gas supply.”

19 “For example, the proposed energy efficiency measures would reduce carbon
20 emissions by more three million tonnes of reductions by 2050.”

21 While FEI mentions lowering energy use per customer through improved energy efficiency
22 and conservation, FEI does not mention the impact of BC’s new Zero Carbon Step Code
23 (ZCSC). The ZCSC, which places increasingly stringent limits on operational carbon
24 emissions in new buildings, is expected to become mandatory to Step 1 in 2024 with the
25 top step being required by 2030 (or earlier; dates have not yet been set).

26 Since the ZCSC came into effect in May 2023, five municipalities have already adopted
27 the ZCSC into their building bylaws and it is likely others will follow suit as early
28 implementation will prevent new builds requiring retrofitting in the future.

29 6.3 How does the new Zero Carbon Step Code affect FEI’s estimate of future demand
30 for gas in the OCU service area?

31
32 **Response:**

33 The Zero Carbon Step Code (ZCSC) is not expected to impact FEI’s future peak demand for gas
34 in the OCU Project service area so as to avoid the need for the OCU Project. It is not yet clear

³ <https://www2.gov.bc.ca/gov/content/industry/electricity-alternative-energy/transportation-energies/clean-transportation-policies-programs/greenhouse-gas-reduction-regulation>.

⁴ https://docs.bcuc.com/Documents/Other/2023/DOC_71871_BCUCRNGInquiryPhase2FinalReport.pdf, page 39.

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1 how the ZCSC might impact peak and annual demand on FEI's system over the long term given
2 the following considerations:

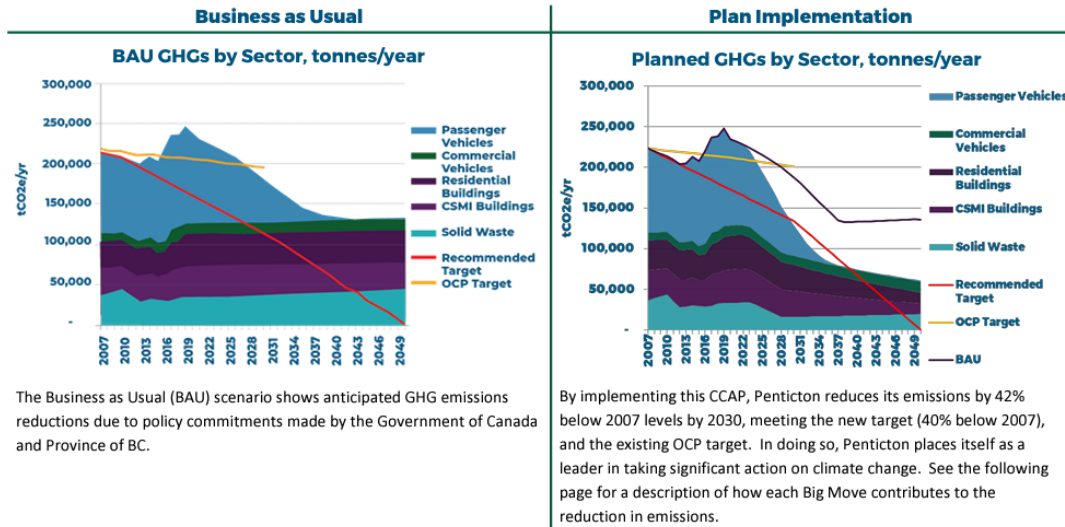
- 3 • Renewable and low carbon gases such as renewable natural gas and hydrogen have an
4 important role to play in a net-zero future for BC. The extent to which these fuels provide
5 a pathway for meeting the ZCSC is not yet fully determined, however, FEI anticipates that
6 growth in the supply of these fuels will continue to mean growth in customers on the gas
7 system while reducing carbon emissions for customers. FEI designed the changes to its
8 Renewable Gas Program put forward in the Comprehensive Review of FEI's Renewable
9 Gas Program application with the ZCSC in mind. One of the offerings, 100% Renewable
10 Gas for New Residential Buildings, will meet even the most stringent level of the ZCSC.
11 As such, if approved, the Comprehensive Review of FEI's Renewable Gas Program
12 application will result in little if any change to new customer volume additions.
- 13 • Continued gas deliveries to buildings is critical for meeting peak winter energy demand
14 and maintaining a resilient, overall energy system in BC. Even in cases where gas may
15 be relied on to back up electric systems (i.e., in situations where dual fuel systems are
16 installed in buildings), FEI anticipates that peak demand will remain the same for such
17 customers.
- 18 • The ZCSC is currently voluntary for municipalities and the extent to which municipalities
19 will adopt it remains unclear at this time.
- 20 • The timing for and nature of building code requirements to meet the ZCSC becoming
21 mandatory are not clear at this time.

22 FEI will examine the status of the Zero Carbon Step Code when it undertakes its next Long-Term
23 Gas Resource Plan and incorporate any resulting considerations in its long-term demand
24 forecasts at that time.

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28 FEI also does not mention the impact of the Climate Action Plan actions that municipalities
29 are implementing to meet Clean BC's mandated emission reduction targets of 40% by
30 2030. For example, local municipalities are encouraging home owners to do retrofits to
31 replace gas space and hot water heating appliances with electric heat pumps. See
32 example reduction chart from Penticton Community Climate Action Plan⁵.

⁵ www.penticton.ca/sites/default/files/docs/our-community/environment/2021%20Community%20Climate%20Action%20Plan.pdf.



Penticton CCAP

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6.4 Please estimate the reduction in gas usage that will result from emissions reductions outlined in municipal Community and Corporate Climate Action Plans in the OCU service area (Penticton, Kelowna, Vernon, Regional Districts of South, Central and North Okanagan).

Response:

The impact of Community Climate Action Plans and associated reductions in GHG emissions on FEI's long-term demand forecasts remains uncertain. Given the considerations described in the response to FTFO Supplementary IR1 6.3, such plans could have some upward or downward influence on gas demand or may influence gas demand to stay the same. Regardless, Community and Corporate Climate Action Plans are not currently anticipated to impact peak demand for gas in the areas served by the OCU Project for the same reasons discussed in the responses to the BCUC Supplementary IR1 3 series. FEI will continue to work with municipalities to understand their needs and provide energy solutions that meet those needs.