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October 4, 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)  
Revised Renewable Gas Program Application – Stage 2 (Application)  
Response to the B.C. Sustainable Energy Association (BCSEA) Information  
Request (IR) No. 3 on Evidentiary Update**

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On December 17, 2021, FEI filed the Application referenced above. In accordance with the further regulatory timetable established in BCUC Order G-215-23, FEI respectfully submits the attached response to BCSEA IR No.3 on Evidentiary Update.

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) Biomethane Energy Recovery Charge Rate Methodology and Comprehensive Review of a Revised Renewable Gas Program (Application)	Submission Date: October 4, 2023
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1   **44.0   Topic:           Supply-side Proposal**

2                               **Reference: Exhibit B-89, FEI Evidentiary Update and Further Update**  
3                               **on Carbon Tax Matter**

4           On page 1 of the Evidentiary Update, FEI describes its supply-side proposal, which is not  
5           directly related to the approvals sought in the application, and states in a footnote that FEI  
6           considers this a sub-optimal solution. FEI states:

7                               “First, FEI will sell or redirect RNG from its biomethane suppliers into markets that  
8                               are not in BC, such as the Renewable Identification Number (RIN) market in the  
9                               US.<sup>2</sup> This will help FEI reduce the supply of RNG that it receives to better match  
10                              supply and demand, especially in the short term before the Renewable Gas Blend  
11                              is implemented.

12           Footnote 2: FEI considers this solution to be sub-optimal because it reduces the amount  
13           of RNG flowing into BC thereby reducing the GHG reduction potential of RNG in BC.”

14           44.1   Please clarify if FEI is saying that its supply-side proposal is sub-optimal compared  
15           to FEI’s inventorying approach which has been disallowed by the Finance Ministry  
16           under the Carbon Tax Act, but that the supply-side proposal is the best option  
17           under the circumstances.

18  
19    **Response:**

20    As explained in the Evidentiary Update, recognizing the inventorying of biomethane for the  
21    purpose of recovering carbon tax refunds remains FEI’s objective and may ultimately be  
22    recommended by the Ministry. However, the proposed supply- and demand-side solutions will  
23    help FEI maximize carbon tax refunds from the Province under the *Carbon Tax Act* on behalf of  
24    its customers and is the best alternative to inventorying that FEI was able to identify under the  
25    circumstances.

26



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1 **45.0 Topic: Proposed Effective Date**

2 **Reference: Exhibit B-89, FEI Evidentiary Update and Further Update**

3 **on Carbon Tax Matter**

4 On page 2 of the Evidentiary Update, FEI states

5 “FEI requests all of the following approvals to be effective the first of the month at

6 least two months after the date of the BCUC’s final decision in this proceeding...”

7 45.1 Please provide an example of a hypothetical final decision date and the proposed

8 effective date.

9

10 **Response:**

11 FEI’s written reply submission is due on December 8, 2023. Assuming that the BCUC provides a

12 decision within 90 days after the regulatory timetable has concluded (reflecting the BCUC’s

13 general practice), FEI expects the BCUC to release its decision in March 2024. Therefore,

14 implementation of the Renewable Gas Blend service would likely take place on June 1, 2024, with

15 the Renewable Gas Connections service implemented approximately three months later in

16 August 2024. Please also refer to the response to BCUC IR3 1.1.

17



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1   **46.0   Topic:            Carbon Tax Ruling**  
2                               **Reference: Exhibit B-89, FEI Evidentiary Update and Further Update**  
3                               **on Carbon Tax Matter**

4           On page 4 of the Evidentiary Update, FEI states:

5                               “In March 2023, the Ministry confirmed that their interpretation of the Carbon Tax  
6                               Act outlined in a recent ruling (Carbon Tax Ruling) was final.<sup>3</sup> The Carbon Tax  
7                               Ruling outlines the Ministry’s interpretation that a retail dealer such as FEI can only  
8                               claim a carbon tax refund for the lesser of the amount of biomethane credits  
9                               provided to customers in the reporting period and the amount of biomethane that  
10                              is physically blended in the same reporting period.” [Exhibit B-89, p.4, under line  
11                              added]

12           46.1   Please explain the term “physically blended,” ascribed to the Ministry of Finance.  
13                               Does this mean the same as delivery? Or does the Ministry’s interpretation make  
14                               a distinction between physical and notional delivery?

15  
16   **Response:**

17   The Ministry of Finance’s interpretation of blending is that it occurs when the biomethane is  
18   physically added to the pipeline with the conventional natural gas.

19

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1   **47.0   Topic:           Carbon Tax Matter**  
2                               **Reference: Exhibit B-89, FEI Evidentiary Update and Further Update**  
3                               **on Carbon Tax Matter**

4           On pages 4-5 of the Evidentiary Update, FEI states:

5                               “2.1 ENGAGEMENT WITH THE PROVINCE

6                               Since filing its letter with the BCUC on May 8, 2023,<sup>4</sup> FEI has met with members  
7                               of the Province’s Tax Policy and Legislative division, and other provincial ministries  
8                               supporting the CleanBC Roadmap objectives, to discuss the potential for a solution  
9                               that would recognize the inventorying of biomethane for the purpose of recovering  
10                              carbon tax refunds on behalf of customers. On May 26, 2023, FEI received a letter  
11                             from the Assistant Deputy Minister of the Policy and Legislation Division of the  
12                             Ministry of Finance acknowledging FEI’s practice of inventorying biomethane. In  
13                             its letter, the Ministry commits to undertaking a detailed analysis of the issues  
14                             identified by FEI as part of the February 2024 budget cycle and states that it will  
15                             forward options to the Minister of Finance for consideration. The Ministry’s letter  
16                             was filed with FEI’s June 5, 2023 update.<sup>5</sup> ...”

17           The letter from the ADM of the Policy and Legislation Division of the Ministry of Finance  
18           states on page 2:

19                             “FortisBC has raised the possibility that the inability to issue credits based on any  
20                             excess biomethane they acquired in a previous period would impact its ability to  
21                             deliver its renewable gas program, use inventory to meet seasonal demand, and  
22                             mitigate affordability pressures arising from the higher cost of acquiring  
23                             biomethane. The Tax Policy Branch understands the potential effects this may  
24                             have on the delivery of the renewable gas program and FortisBC ratepayers.

25                             Each year, government reviews provincial taxes and considers changes in  
26                             preparation of the provincial budget. The government then implements tax  
27                             changes that it considers to be appropriate within the context of the province’s  
28                             fiscal situation and other priorities. The issues identified by FortisBC will be the  
29                             subject of detailed analysis for the February 2024 budget cycle. The Tax Policy  
30                             Branch will assess the issues raised on the biomethane credit and forward options  
31                             to the Minister of Finance for consideration.” [Exhibit B-88, Appendix B, Ministry of  
32                             Finance Letter to FEI, underline added]

33           On page 6 of the Evidentiary Update, FEI states:

34                             “Given the Carbon Tax Ruling, it is possible that the Ministry may determine that  
35                             carbon tax is owing in respect of these past months. FEI estimates that these  
36                             potential remittances plus interest would be less than \$500,000 since June 2019.”  
37                             [underline added]

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1           47.1    To FEI’s knowledge, is the Ministry of Finance’s position on FEI’s RNG  
2                    inventorying approach under the carbon tax regime materially affected by a  
3                    perception by the Ministry that tax changes to allow FEI’s RNG inventorying  
4                    approach would result in revenue loss to the BC Government?  
5

6           **Response:**

7           The Ministry of Finance has not indicated that its position on FEI’s RNG inventory approach under  
8           the carbon tax regime is related to the loss of provincial tax revenue.

9  
10

11  
12           47.2    If so, what is the Ministry of Finance’s estimate for working purposes of the amount  
13                    of revenue loss to the BC Government in the event of tax changes to allow FEI’s  
14                    RNG inventorying approach?  
15

16           **Response:**

17           Please refer to the response to BCSEA IR3 47.1.

18





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1 **Response:**

2 FEI proposed early implementation of the proposed Renewable Gas Blend service as it will  
3 require fewer customer information system changes than the proposed Renewable Gas  
4 Connections service, and not because Renewable Gas Connections sales cannot be adjusted on  
5 a monthly basis.

6 In addition to the supply and demand balancing enabled by the Renewable Gas Blend service,  
7 the proposed Renewable Gas Connections service is a standalone mitigation measure as the  
8 demand from these customers will help consume FEI's Renewable Gas supply.

9



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1   **49.0   Topic:           Supply-side Proposal**  
2                               **Reference: Exhibit B-89, FEI Evidentiary Update and Further Update**  
3                               **on Carbon Tax Matter**

4           Footnote 9 on page 8 of the Evidentiary Update states:

5                               “FEI would not be selling and/or redirecting RNG but for the carbon tax legislation  
6                               making inventorying of biomethane unusable for Provincial carbon tax refunds.”  
7                               [underline added]

8           49.1   Please provide a quantitative estimate of the amount of BC GHG emissions  
9                               reductions foregone due to the carbon tax legislation making FEI’s inventorying of  
10                              biomethane unusable for Provincial carbon tax refunds.

11  
12   **Response:**

13   The carbon tax legislation has led FEI to forego retiring the environmental attributes, in the form  
14   of GHG emissions reductions, associated with some RNG supply it had contracted to acquire.

15   Specifically, under FEI’s Amending Agreement with Archaea Energy Marketing (AEM) which was  
16   recently accepted by the BCUC, FEI will redirect RNG supply that was otherwise destined for BC.  
17   During the month of September, approximately 141,000 GJ of RNG supply that was contracted  
18   to be acquired by FEI was instead redirected. This redirection will moderate costs for ratepayers  
19   as a result of the tax treatment of RNG inventory by the carbon tax legislation. If this RNG were  
20   not redirected, FEI would have approximately 7,000 tonnes of GHG emissions reductions in the  
21   form of environmental attributes that would be retired on behalf of FEI’s customers. Through the  
22   duration of the agreement, up to 500,000 GJ of RNG could be redirected to markets outside of  
23   BC, representing approximately 25,000 tonnes of GHG emissions.

24   Ultimately, FEI’s ability to acquire new RNG, which would otherwise lead to lower GHG abatement  
25   in BC, could be adversely impacted if existing carbon tax legislation is not amended in the future.

26

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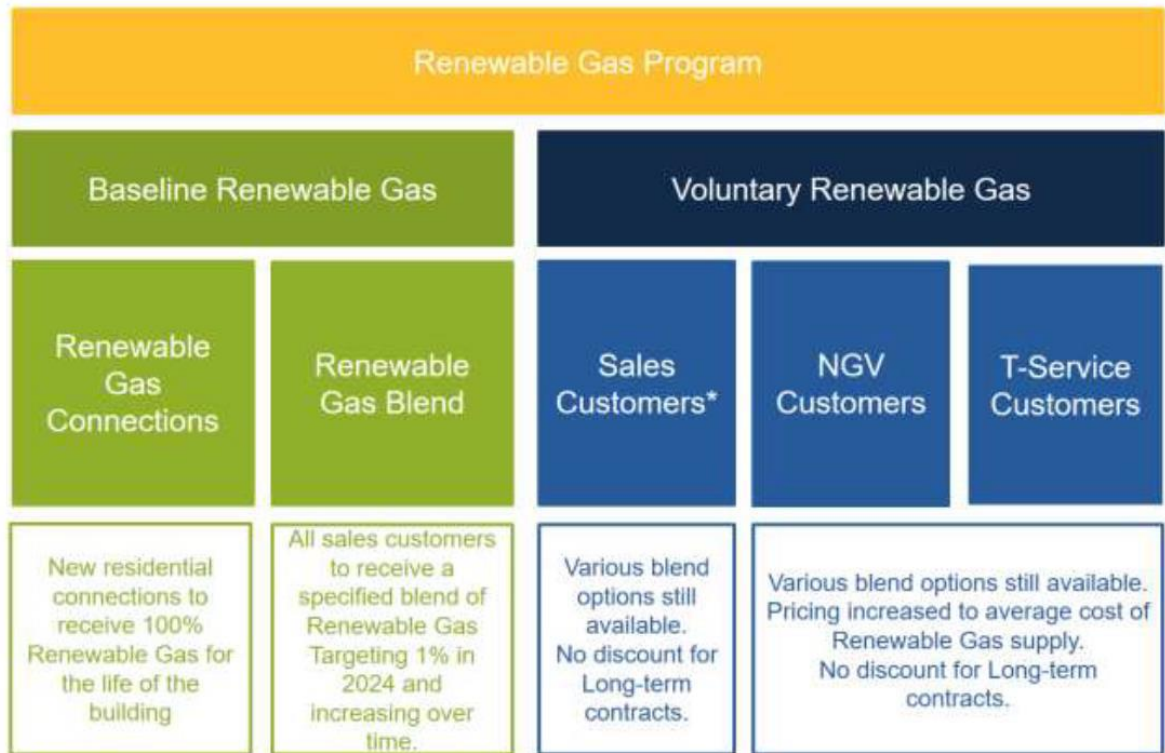
1   **50.0   Topic:           Renewable Gas Blend proposal**  
 2                               **Reference: Exhibit B-89, FEI Evidentiary Update and Further Update**  
 3                               **on Carbon Tax Matter**

4           On page 9 of the Evidentiary Update, FEI states:

5                               “As discussed in Section 7 of the Application [Exhibit B-11], FEI has proposed a  
 6           Renewable Gas Blend service where FEI will blend RNG volumes with  
 7           conventional gas to be sold to all Sales Customers as part of their gas service.  
 8           Every Sales Customer will receive a blend of RNG and conventional gas, and the  
 9           blend will be the same as that received by every other Sales Customer, including  
 10           Renewable Gas Connections and Voluntary Renewable Gas customers.”  
 11           [underline added]

12           Figure 7-1 in the Application [Exhibit B-11, pdf p.94] is reproduced here for convenience:

Figure 7-1: Revised Renewable Gas Program



**Note**  
 \* Does not include NGV customers

13  
 14           50.1   Please explain what FEI means by the statement that under the proposed RG  
 15           Blend program every sales gas customer will receive the same blend of RNG and  
 16           conventional gas as will be received by sales gas customers under the proposed  
 17           RG Connections program and the Voluntary RG program. How does this jibe with



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1                   RG Connections customers receiving 100% RG for the life of the building while all  
2                   sales customers receive an RG blend targeting 1% in 2024 and increasing over  
3                   time.

4  
5    **Response:**

6    The sentence quoted in the preamble is not clear. To clarify, FEI should have stated:

7                   Every Sales Customer will receive RNG via the Renewable Gas Blend service,  
8                   and the blend percent will be the same for all Sales Customers. Renewable Gas  
9                   Connections and Voluntary Renewable Gas customers will receive additional RNG  
10                  above the blend percent unless the blend percent reaches the percent they  
11                  voluntarily elected or 100%, respectively.

12   Please also refer to the responses to BCUC IR2 56.2 and BCOAPO IR1 10.1.

13

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1   **51.0   Topic:           Annual Quantity of Renewable Gas, Annual v Monthly Allocation**  
2                                   **Reference: Exhibit B-89, FEI Evidentiary Update and Further Update**  
3                                   **on Carbon Tax Matter**

4           On page 11 of the Evidentiary Update, FEI states:

5                                   “As discussed above, FEI is modifying its proposed Renewable Gas Blend service  
6                                   to set the percentage blend of RNG provided to all Sales Customers<sup>11</sup> on a  
7                                   monthly basis so that FEI can closely match monthly RNG supply and demand  
8                                   and thereby maximize the carbon tax refund it can receive from the Province.”

9           In the Application, FEI indicates that under the proposed RG Blend service all sales gas  
10           customers would receive an RG blend targeting 1% in 2024 and increasing over time.  
11           [Exhibit B-11, Table 7-1]

12           On page 15 of the Evidentiary Update, FEI states:

13                                   “In order to achieve the balance shown in the figure above [Figure 5-4: Monthly  
14                                   Renewable Gas Supply and Demand when the Blend Percent is set Monthly], FEI  
15                                   is proposing to adjust the RNG blend percentage monthly so that when it is  
16                                   multiplied by the sales customers’ volume it equals the RNG supply available for  
17                                   blending, thus helping to maximize the carbon tax refund it recovers on behalf of  
18                                   customers from the Province.”

19           On page 17 of the Evidentiary Update, FEI states:

20                                   “5.3 RENEWABLE GAS DELIVERED FROM SETTING THE RENEWABLE GAS  
21                                   BLEND PERCENT MONTHLY VS ANNUALLY

22                                   FEI’s proposal to set the Renewable Gas Blend on a monthly basis results in  
23                                   customers receiving different volumes of RNG from what they would have received  
24                                   from setting the blend annually. As the net carbon tax a customer pays (i.e., the  
25                                   carbon tax less the carbon tax biomethane credit) is related to the volume of RNG  
26                                   they receive, the bill impact from setting the blend percentage on a monthly basis  
27                                   is different when compared to setting it annually. FEI has provided the following  
28                                   table to illustrate why this is the case. Table 5-1: Example of the Difference in the  
29                                   Volume of Renewable Gas Received When Calculating Blend Percent Monthly vs.  
30                                   Annually.”

31           On page 18 of the Evidentiary Update, FEI states:

32                                   “Lines 2 and 3 in the above table show two hypothetical rate schedules (RS X 1  
33                                   and RS Y) with use rates through Jan – Apr, May – Aug and Sep – Dec in columns  
34                                   (1), (2) and (3), with Renewable Gas Supply Available for Renewable Gas Blend  
35                                   customers on Line 6.

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1 As illustrated in the table above [Table 5-1], a monthly supply and demand  
2 imbalance is caused when FEI calculates the Renewable Gas Blend percentage  
3 annually and then applies it to each month's sales volume (Line 15).

4 In contrast, when FEI calculates the blend percentage on a monthly basis, it does  
5 not result in the same imbalance (Line 24). However, when comparing the total  
6 RNG the customers in a rate schedule receive (Lines 27 and 28 in Column (4)),  
7 the allocation of RNG between rate schedules differs when calculating the blend  
8 percentage on a monthly versus annual basis. This is due to a difference in Use  
9 Per Customer (UPC) profiles between rate schedules. Because the net carbon tax  
10 paid by a customer correlates to the volume of RNG they receive, this difference  
11 causes a minor positive or negative bill impact depending on the rate schedule  
12 when compared to setting the Blend percentage annually." [underline added]

13 51.1 Please discuss whether the annual quantity of Renewable Gas delivered to sales  
14 gas customers in total under the proposed RG Blend program (for identification,  
15 targeted at 1% in 2024 and increasing over time) will change materially under the  
16 proposed monthly determination of the blend under the RG Blend program.

17  
18 **Response:**

19 The monthly determination of the Renewable Gas Blend will not materially change the annual  
20 quantity of Renewable Gas delivered to customers.

21  
22

23  
24 51.2 If FEI is able to adjust the Blend percentage monthly, please explain why FEI would  
25 have to sell any RNG outside the Province as a result of the carbon tax matter.

26  
27 **Response:**

28 With the ability to adjust the Renewable Gas Blend on a monthly basis, FEI expects that it will be  
29 able to retain and sell the RNG it has acquired to customers in BC. However, given the regulatory  
30 timetable, FEI does not expect to be able to implement the Renewable Gas Blend service until  
31 the second quarter of 2024. Until the Renewable Gas Blend service is approved and  
32 implemented, there is insufficient demand from the existing RNG Program to use all of the RNG  
33 FEI has procured. Given the impact of the Carbon Tax Ruling on the existing RNG Program (as  
34 described in Section 2 of the Evidentiary Update), FEI considers it prudent to manage its RNG  
35 supply.

36