



Sarah Walsh
Director, Regulatory Affairs

Gas Regulatory Affairs Correspondence
Email: gas.regulatory.affairs@fortisbc.com

Electric Regulatory Affairs Correspondence
Email: electricity.regulatory.affairs@fortisbc.com

FortisBC
16705 Fraser Highway
Surrey, B.C. V4N 0E8
Tel: (778) 578-3861
Cell: (604) 230-7874
Fax: (604) 576-7074
www.fortisbc.com

October 4, 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: Christopher P. Weafer

Dear Christopher P. Weafer:

Re: FortisBC Energy Inc. (FEI)
Revised Renewable Gas Program Application – Stage 2 (Application)
Response to the Commercial Energy Consumers Association of British
Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update

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 CEC 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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 1

1 **74. Reference: Exhibit B-89 page 5, and B-88 pages 1 and 2**

Roadmap objectives, to discuss the potential for a solution that would recognize the inventorying of biomethane for the purpose of recovering carbon tax refunds on behalf of customers. On May 26, 2023, FEI received a letter from the Assistant Deputy Minister of the Policy and Legislation Division of the Ministry of Finance acknowledging FEI's practice of inventorying biomethane. In its letter, the Ministry commits to undertaking a detailed analysis of the issues identified by FEI as part of the February 2024 budget cycle and states that it will forward options to the Minister of Finance for consideration. The Ministry's letter was filed with FEI's June 5, 2023 update.⁵

Through its engagement with the Ministry, FEI explored non-legislative alternatives such as annual filing processes that could potentially avoid monthly variations in RNG supply and demand. However, FEI and the Ministry ultimately determined that there were no non-legislative means under the *Carbon Tax Act* or *Carbon Tax Regulation* available to FEI that would help mitigate this issue. FEI continues to advocate for the Ministry to enact legislative changes, through amendments to *Carbon Tax Regulations*, to resolve this issue.⁶

While a legislative change recognizing the inventorying of biomethane for the purpose of recovering carbon tax refunds remains FEI's objective and may ultimately be recommended by the Ministry, the Ministry has not committed to making such a change. As such, as described in the balance of this Evidentiary Update, FEI has developed a solution that will enable FEI to comply with its carbon tax remittance obligations within the existing legislative framework and continue to receive a carbon tax refund from the Province on behalf of its customers in proportion to the biomethane credits reflected on its customer bills.

Our understanding is that FortisBC purchases an amount of biomethane and injects it into their system such that it is co-mingled and indistinguishable from natural gas. As a result, the actual physical quantity of biomethane any customer receives at any given time is unknown and therefore "notional," but FortisBC maintains records of the total amount of biomethane acquired, blended, and sold to customers. Currently under the *Carbon Tax Act*, credits must be

issued based on the lesser of the amount blended in a period or the contractual commitments in a period and cannot be based on any unsold biomethane acquired in a previous period. FortisBC has raised the possibility that the inability to issue credits based on any excess biomethane they acquired in a previous period would impact its ability to deliver its renewable gas program, use inventory to meet seasonal demand, and mitigate affordability pressures arising from the higher cost of acquiring biomethane. The Tax Policy Branch understands the potential effects this may have on the delivery of the renewable gas program and FortisBC ratepayers.

Each year, government reviews provincial taxes and considers changes in preparation of the provincial budget. The government then implements tax changes that it considers to be appropriate within the context of the province's fiscal situation and other priorities. The issues identified by FortisBC will be the subject of detailed analysis for the February 2024 budget cycle. The Tax Policy Branch will assess the issues raised on the biomethane credit and forward options to the Minister of Finance for consideration.

74.1 The CEC interprets the Ministry of Finance's letter as recognizing the impacts on a favourable RNG program, and to be reasonably open to the possibility of legislative changes to support this program going forward. Please provide FEI's views as to whether or not the government would likely be open to making legislative changes.

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 2

1 **Response:**

2 FEI has engaged with the Ministry of Finance and understands, as set out in its letter, that the
3 Ministry is evaluating this issue further. While FEI considers that there is a strong rationale for
4 legislative change, and will continue to advocate for such a change, FEI is unable to speculate on
5 the likelihood of a legislative change at this time.

6
7
8
9 74.2 Please provide FEI's expectation as to when a decision could be made by the
10 government regarding the biomethane credit in the February 2024 budget cycle.

11
12 **Response:**

13 FEI is unable to speculate on when a decision could be made by government, beyond the
14 information provided by the Ministry of Finance in its May 26, 2023 letter (Appendix B to Exhibit
15 B-88).

16
17
18
19 74.3 To the extent that FEI could be confident that the government would approve the
20 necessary legislative changes in the February 2024 budget cycle, please discuss
21 whether or not FEI's current proposals would need to be undertaken.

22
23 **Response:**

24 As legislative changes are determined by the legislature, FEI cannot guarantee that a legislative
25 solution will occur. As such, regardless of FEI's level of confidence that a legislative change may
26 occur, FEI must prudently plan for the potential that a legislative solution will not materialize.

27
28
29
30 74.4 Please provide FEI's views as to whether or not the approvals requested in this
31 Evidentiary Update could impact the government's view of the importance of
32 legislative changes, and if so, in what ways and to what extent.

33
34 **Response:**

35 In its discussions with the Ministry of Finance, FEI has described the approvals sought in this
36 proceeding as a necessary, but interim, measure given the Carbon Tax Matter. FEI has also
37 highlighted the importance of a legislative change to substantively address the issues with the

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 3

current carbon tax framework, as evidenced by its June 16, 2023 letter to the Minister of Finance (Appendix C to the Evidentiary Update). FEI is unable to speculate on how the approvals sought in the Application could impact the government's views.

74.5 Please describe any legislative options that FEI has:

- Identified on its own but not forwarded to the government;
- Already has forwarded, or intends to forward, to the government; and
- Understands that the government is considering.

74.5.1 For each option, please provide any preference ranking that FEI may have, and explain why

74.5.2 For each option, please provide FEI's take on whether or not it will likely be implemented, and if yes, when that could occur

Response:

FEI has identified two legislative options to the Minister of Finance, which are described in FEI's July 16, 2023 letter to the Minister (Appendix C to the Evidentiary Update). As stated in the letter, FEI does not have a preference for one option over the other. Please refer to the responses to CEC IR3 74.1 and 74.2 regarding the likelihood and timing of any legislative change.

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 4

1 **75. Reference: Exhibit B-89 page 6**

2 **3.1 CARBON TAX OWING**

While FEI has currently more RNG supply than RNG demand throughout the year, there have been times in past years where FEI has used biomethane inventory to balance supply and demand in some months. Given the Carbon Tax Ruling, it is possible that the Ministry may determine that carbon tax is owing in respect of these past months. FEI estimates that these potential remittances plus interest would be less than \$500,000 since June 2019. As noted in Section 1 and discussed further in Section 5 below, given that it is not possible for FEI to perfectly match supply and demand in a month, FEI is requesting approval to capture any carbon tax credits that FEI has granted or grants to customers, as required by law, but that are not refunded from the Province, in the BVA, proposed to be renamed as the LCGA.

3 75.1 Please confirm that the Ministry has not, as of yet, determined that the carbon tax
4 is owing in respect of the past months.

5 **Response:**

6 Not confirmed. On August 22, 2023, the Ministry issued a tax assessment to FEI in the amount
7 of \$384,844.36.

8 75.2 At what point in the process would FEI intend to capture the 'carbon tax credits
9 that FEI has granted but have not been refunded'? Would this occur immediately,
10 or would FEI wait for a government decision? Please explain.

11 75.2.1 If FEI were to transfer the credits prior to a government decision, how FEI
12 would handle a situation in which FEI transferred the credits to the LCGA
13 but they were later refunded by the government?

14 **Response:**

15 FEI will know if the biomethane delivered to customers is greater than the biomethane supplied
16 to (acquired by) FEI in the reporting period when FEI files its carbon tax return with the Ministry
17 of Finance. At the time that FEI files its carbon tax return, FEI also makes a remittance to the
18 Province for the net carbon tax owing. It is at this time that FEI will account for the difference
19 between biomethane credits granted to customers and the carbon tax refund received from the
20 Province in the BVA (proposed to be renamed the Low Carbon Gas Account (LCGA)). FEI does
21 not anticipate transferring credits to the LCGA prior the above noted filing; however, any credits
22 subsequently refunded by the Province would be accounted for in the LCGA, thereby offsetting
23 the un-refunded credits FEI had previously recorded there.

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 5

1 **76. Reference: Exhibit B-89, page 7**

has accumulated approximately 1.5 PJ of inventory and is accumulating approximately 200 TJ of additional RNG inventory each month.

FEI can employ mechanisms to reduce its existing inventory. The preferred mechanism is that FEI sells this RNG inventory to its customers. While the existing carbon tax legislation will effectively result in customers paying carbon tax on this energy, FEI's customers will continue to be able to report or claim a reduction in GHG emissions. An alternative mechanism is that FEI can utilize the existing approved UBPDA/CCRA method of inventory cost recovery. The cost to customers is effectively the same as the preferred method, with carbon tax being paid on the energy, however the customers could no longer report or claim a reduction in GHG emissions.

While FEI will endeavour to use whichever mechanism provides the most benefit for its customers when selling its existing RNG inventory, as discussed in Section 1 FEI wishes to ensure it has multiple methods to manage RNG inventory, therefore FEI is no longer requesting approval to discontinue the UBPDA.

2

3 76.1 Please provide further details as to how retaining the UBPDA will assist FEI.

4

5 **Response:**

6 Please refer to the responses to BCUC IR3 7.5 and 7.6.

7

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 6

1 **77. Reference: Exhibit B-89, page 7**

2 **3.3 MITIGATING MEASURES**

Given the Carbon Tax Ruling, FEI must take mitigating measures to begin to balance supply and demand monthly for the benefit of customers. As FEI's RNG supply is greater than demand and relatively flat compared to the typically heat-sensitive load, FEI must either reduce or shape its RNG supply or increase its sales of RNG in BC. As outlined in Section 4 below, FEI's key mitigation measures are to (1) resell or redirect its RNG supply from its suppliers to markets outside of BC; and (2) implement the Renewable Gas Blend where the blend is changed on a monthly basis to match as closely as possible FEI's forecast demand for RNG in the month.

3 77.1 Please describe the mitigating balancing process for supply and demand as well
4 as the expected cost for the mitigation as well as an estimate of the potential
5 quantity required and the benefit for achieving the balance.

6 **Response:**

7 The monthly balancing process is outlined below:

- 8 • Approximately 2 weeks before the beginning of the upcoming month, FEI will update and
9 review its forecast supply of RNG and forecast demand for natural gas for its sales service
10 customers, for the upcoming month.
- 11 • FEI will subtract the demand for RNG by Voluntary Renewable Gas and Renewable Gas
12 Connections customers from the RNG supply.
- 13 • FEI will divide any RNG supply by the forecast demand for natural gas for its sales service
14 customers to determine the percent of the Renewable Gas Blend all sales service
15 customers will receive.
- 16 • FEI will set the Renewable Gas Blend amount in its customer information system so that
17 customer bills will reflect the applicable percentage for that month.
- 18 • The process will be repeated each month.

19 FEI expects to use existing resources to administer this process and, therefore, does not expect
20 to incur any incremental labour costs.

21 The benefit of seeking to balance supply and demand is that it will help FEI maximize carbon tax
22 refunds from the Province under the *Carbon Tax Act* on behalf of its customers.

23 77.2 Please describe the mitigation efforts required to increase RNG sales and the
24 costs for doing so as well as the quantity of sales expected for the effort.

25

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 7

1 **Response:**

2 Implementation of the proposed Renewable Gas Blend and Renewable Gas Connections
3 services are the measures to increase RNG sales. Please refer to Figure 5-4 of the Evidentiary
4 Update which illustrates the RNG demand from FEI's proposed revised Renewable Gas Program.
5 The costs to implement the revised Renewable Gas Program are described in the Application.

6
7
8
9 77.3 Please describe the RNG markets outside of BC and the potential prices for RNG
10 which FEI may be able to obtain for same, and the potential quantities that it may
11 be able to sell, for each of the markets.

12
13 **Response:**

14 FEI would describe the RNG market outside of BC as growing, as parties continue to make
15 investments in building projects to capture and produce RNG. The key market for RNG outside
16 of BC is the RIN market in the US. Please refer to the response to RCIA IR3 55.1 for a description
17 of the RIN market.

18 FEI's RNG from landfills would qualify for a RIN price based on the Argus D3 Index. The D3 RIN
19 is labelled "3" in the chart below (shown in blue). In order to convert to \$CAD per GJ, the charted
20 value must be multiplied by a conversion factor of 11.7272 Gallon/MMBtu, then divided by 1.05
21 GJ/MMBtu, and finally multiplied by the exchange rate of 1.336 CAD/USD.

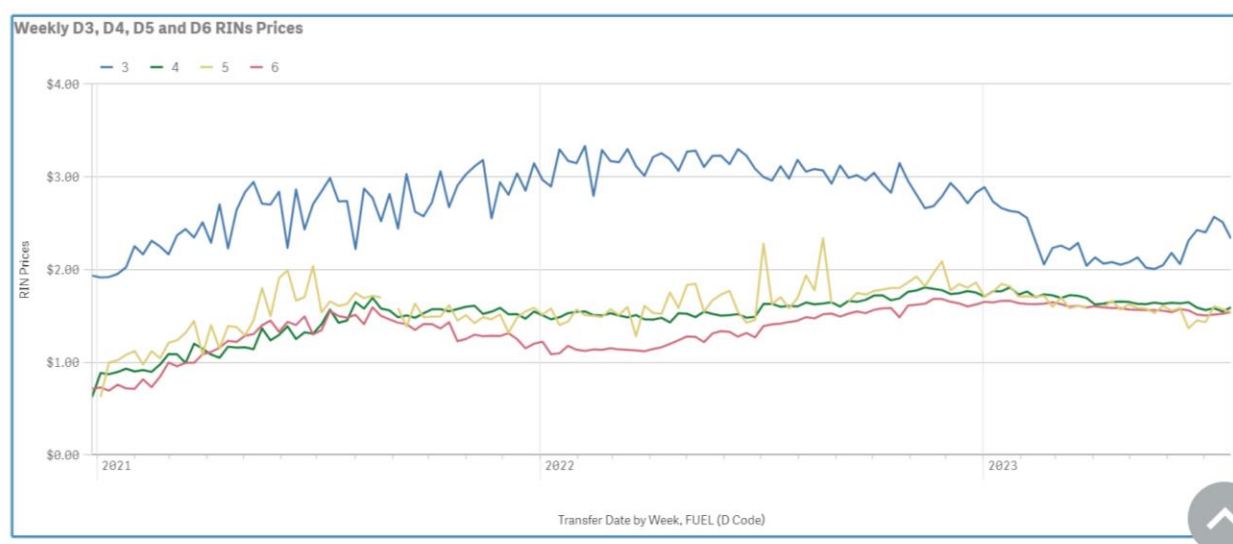
22 Please note that the historical values of approximately \$2.00 to \$3.25 USD per RIN correspond
23 to a range of about \$30¹ to \$50² CAD per GJ³.

¹ \$29.70 (~\$30) = \$2.00 USD/gallon x 11.7272 gallon/MMBtu / 1.055 GJ/MMBtu x 1.336 \$CAD/\$USD.

² \$48.26 (~\$50) = \$3.25 USD/gallon x 11.7272 gallon/MMBtu / 1.055 GJ/MMBtu x 1.336 \$CAD/\$USD.

³ These values are a simple conversion from \$USD RIN price to \$CAD per GJ and do not include the 15 percent dispensing fee, the AEM transportation, base price for RNG, nor do they account for the FEI/Archaea sharing arrangement included in the Amending Agreement.

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 8



77.4 Please describe the process for matching the FEI RNG inventory supply to the RNG blend required as closely as possible to the FEI forecast of RNG demand for the month.

Response:

Please refer to the response to CEC IR3 77.1.

77.5 Please also describe the process for handling the reconciliation of the actual RNG demand for a month with the FEI forecast match and how this may be arranged to be a complete mitigation.

Response:

It is not possible for FEI to perfectly match the forecast supply and demand in a month. However, through its forecasting activities, FEI can closely match monthly RNG supply and demand to maximize the carbon tax refund it receives from the Province on behalf of its customers. To reconcile any difference between the carbon tax credits granted to customers and the carbon tax refund received by FEI from the Province, FEI proposes to use the LCGA to record and capture any difference in cash flows. These costs would then be recovered from all FEI sales customers by way of resetting the S&T LC Rider each year.

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 9

1 **78. Reference: Exhibit B-89, page 8 and 9**

As part of its gas supply functions, FEI balances its supply based on demand across its system, including RNG. Given increasing volumes of RNG supply¹⁰ and in light of the Carbon Tax Ruling, FEI is exploring commercial mechanisms to reduce RNG supply on a monthly basis to better match demand from FEI's customers. In particular, FEI has been working with its RNG suppliers to redirect and commercialize RNG supply into the US RIN market or other RNG markets. This may require amendments to FEI's biomethane purchase agreements (BPAs), which FEI expects to file with the BCUC for acceptance under section 71 of the UCA. The costs or benefits from the redirection of RNG will be accounted for in the LCGA (currently named the BVA). This practice of

undertaking mitigating activity to balance RNG supply and demand for FEI customers is consistent with FEI's existing natural gas mitigation activities.

2
3
4 78.1 Please clarify if FEI would be the vendor for RNG going to the US RIN, or other
5 RNG markets, or if FEI would be reducing its contracts with the RNG supplier, and
6 the RNG suppliers would be seeking to sell into other markets.

7
8 **Response:**

9 FEI currently does not expect to be the vendor of RNG to the RIN market, but expects to rely
10 upon a counterparty that has an established pathway in the US market. FEI also currently intends
11 to keep its existing long-term RNG agreements in place to retain the value of RNG for its
12 customers and include contractual terms in its commercial agreements that permit it to resume
13 the purchase of RNG or avoid the redirection of RNG should RIN market prices drop.

14
15
16
17 78.2 Would the sale of RNG be flexible, such that FEI would retain its first rights to the
18 RNG if needed, or would FEI lose access to that RNG? Please explain.

19
20 **Response:**

21 Please refer to the response to CEC IR3 78.1.

22
23
24
25 78.3 Please provide the balance in the BVA over each of the last five years updated as
26 recently as possible.

27
28 **Response:**

29 Table 1 below provides the year-end balances in the BVA for each of the years 2018-2022, as
30 well as the calculated balance as of August 31, 2023.

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 10

Table 1 - Biomethane Variance Account (BVA) - Year End Balances for 2018-2022 and Balance at August 31, 2023
(shown in \$000s)

Particulars	2018	2019	2020	2021	2022	AUG 2023
Balance (Pre-Tax) Before Transfer to BVA Rate Rider Account	\$ 3,701.8	\$ 2,627.1	\$ 5,015.7	\$ 15,023.4	\$ 45,342.6	\$ 57,648.0
Value (Pre-Tax) of Transfer to BVA Rate Rider Account	(3,701.8)	(2,625.6)	(5,015.7)	(12,142.3)	(25,044.7)	(26,274.8)
Balance (Pre-Tax) After Transfer to BVA Rate Rider Account ^(a)	\$ -	\$ 1.5	\$ -	\$ 2,881.1	\$ 20,297.9	\$ 31,373.2
Tax Rate	27.0%	27.0%	27.0%	27.0%	27.0%	27.0%
Balance (Net of Tax)	\$ -	\$ 1.1	\$ -	\$ 2,103.2	\$ 14,817.5	\$ 22,902.5

Notes: (a) Pre-Tax BVA balances, after transfers to the BVA rate rider account, equate to the quantity of unsold biomethane valued at the Biomethane Energy Recovery Charge (BERC).

Slight differences in totals due to rounding.

78.4 Please discuss the potential 'costs' that could arise from the redirection of RNG and please quantify in \$ to the extent possible, or provide a quantifiable metric (e.g., % value) to understand the annual impact on ratepayers.

Response:

Please refer to the responses to BCUC IR3 8.1 and 8.5.

78.5 Please discuss the potential 'benefits' that could arise from the redirection of RNG and please quantify in \$ to the extent possible, or provide a quantifiable metric (e.g., % value) to understand the annual impact on ratepayers.

Response:

Please refer to the responses to BCUC IR3 8.1 and 8.5.

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 11

1 **79. Reference: Exhibit B-89, page 9**

Second, FEI is also exploring other mid- and long-term mechanisms to manage excess monthly supply, including:

- Mitigating volumes of RNG provided by a supplier in the short term, while ensuring FEI has the ability to increase supply volumes in the long term; and
- Shaping the RNG volumes provided by suppliers to better reflect the heat sensitive consumption patterns of FEI's customers (i.e., shaping supply to more closely align with demand).

FEI will continue to pursue these mechanisms with its suppliers and expects to file any amendments to its BPAs to implement the above solutions with the BCUC for acceptance pursuant to section 71 of the UCA.

The above supply-side measures require no changes to the existing or proposed Renewable Gas Program or any approvals sought in the Application. Rather, FEI will undertake RNG mitigation activities in the ordinary course of business to match RNG supply and demand, just as it undertakes similar mitigation activities to match natural gas supply and demand. Until FEI receives approval of its revised Renewable Gas Program whereby it can increase demand within BC for RNG through the Renewable Gas Blend service, FEI's supply-side mitigation activities will be the primary mechanism that FEI relies on to attempt to match supply and demand monthly.

79.1 Please provide quantification for the expected mitigation of volumes over the next five years.

Response:

FEI is not in a position to quantify future mitigation of volumes at this time. However, under FEI's Amending Agreement with Archaea Energy Marketing (AEM), accepted by Order G-253-23 dated September 21, 2023, FEI expects to redirect between 670 and 850 TJ of RNG within 2023. Because the Amending Agreement with AEM relies upon market factors, it is too early to speculate on volumes in 2024 or beyond. Please refer to the response to BCUC IR3 8.5 for further information about the projected benefits to customers of this agreement.

79.2 Please provide further details as to how FEI can shape supply to more closely align with demand.

Response:

The extent of supply-side measures contemplated to date are described in Section 4.1 of the Evidentiary Update.

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 12

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16

79.2.1 Please explain why FEI has not done this shaping in the past.

Response:

Supply-side measures have not been required in the past. Please refer to the response to BCUC IR3 6.1.

79.3 Please confirm that approval of this revised application, does not result in approval of any amendments FEI proposes to its BPAs, which will have to be approved in separate regulatory processes.

Response:

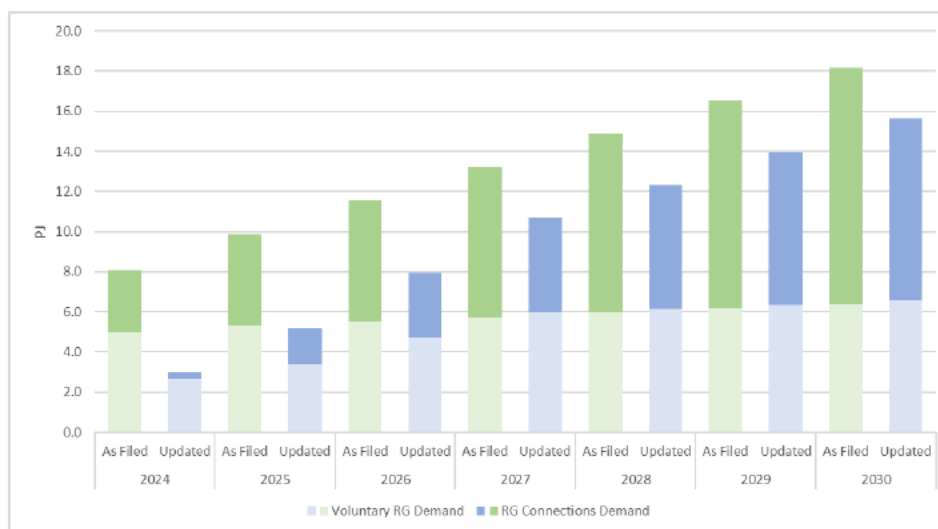
Confirmed.

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 13

1 **80. Reference: Exhibit B-89, page 13**

FEI's updated demand for the Voluntary Renewable Gas and Renewable Gas Connections services¹³ for years 2024 to 2030 is predominantly based on a delay in the expected implementation of the proposals in this Application and a decline in RNG demand from the Transportation sector due to the BC Low Carbon Fuel Standard (BCLCFS) requiring that RNG must be produced in BC to be eligible for the BCLCFS and demand from the public sector¹⁴ has not materialized as anticipated. The following figure compares the demand forecast included in the Application with the updated forecast.

Figure 5-2: Updated Renewable Gas Demand Forecast



2
3 80.1 Please confirm or otherwise explain the CEC's interpretation that variance
4 occurring between the lighter shaded green and lighter shaded blue would
5 primarily be a result of the BCLCFS impact and the reduced demand from the
6 public sector.

7 80.1.1 If possible, please break out the reduction due to the BCLCFS and that
8 arising from the demand in the public sector not materializing.

9
10 **Response:**

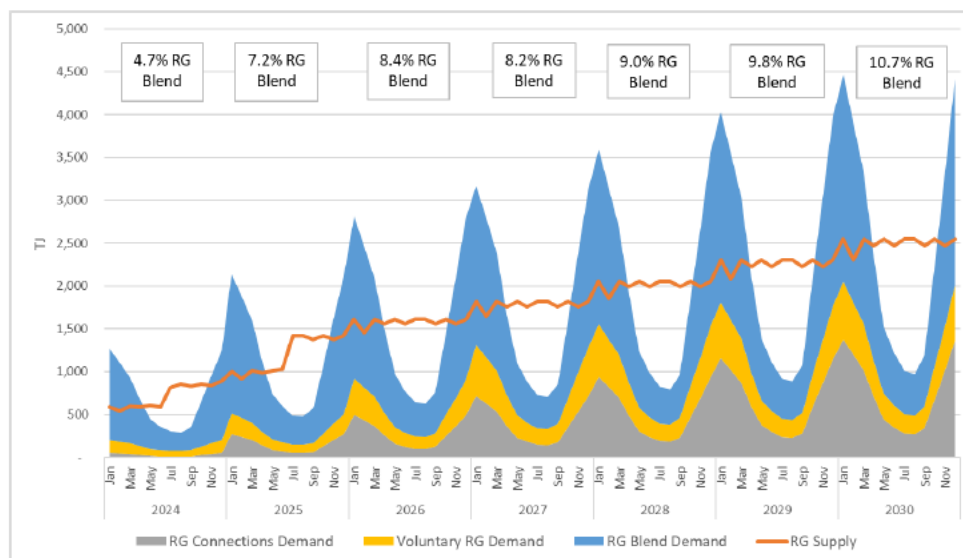
11 Confirmed. Please also refer to the response to BCUC IR3 11.1.

12

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 14

81. Reference: Exhibit B-89, page 13

Figure 5-3: Monthly Renewable Gas Supply and Demand when the Blend Percent is set Annually



81.1 Please confirm or otherwise explain that in Table 5-3 the boxed '% 'RG Blend' relates to FEI's forecast annual blend for the RG Blend that would be provided to customers under FEI's original proposal.

Response:

Confirmed. While the percentages are different because of updated assumptions for RNG supply and demand, the method to determine the percentages is consistent with FEI's original proposals set out in the Application.

81.1.1 Please explain why the % RG Blend in 2026 is higher than that in 2027.

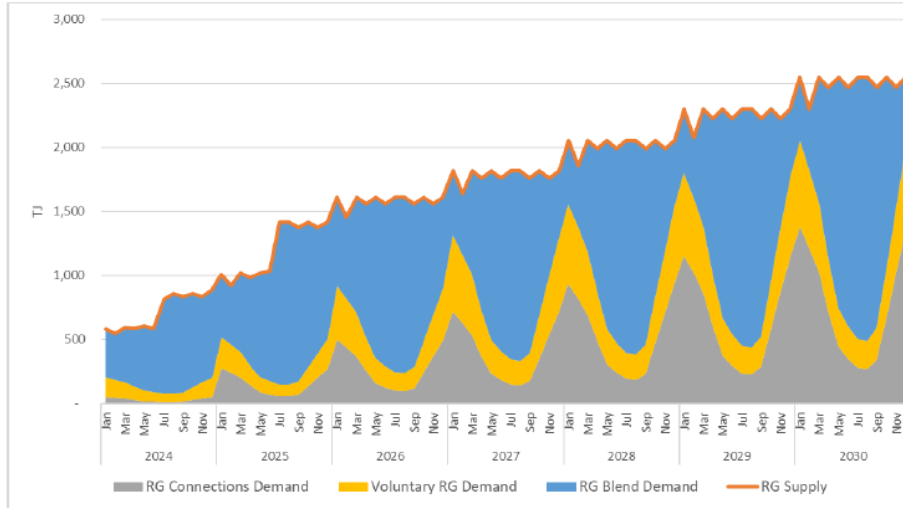
Response:

The Renewable Gas Blend percentage decreases from 2026 to 2027 because the demand from the Renewable Gas Connections and Voluntary Renewable Gas services during this period is forecast to increase at a greater rate than RNG supply over the same period, thus resulting in less RNG available for the Renewable Gas Blend service.

<p>FortisBC Energy Inc. (FEI or the Company)</p> <p>Biomethane Energy Recovery Charge Rate Methodology and Comprehensive Review of a Revised Renewable Gas Program (Application)</p>	<p>Submission Date: October 4, 2023</p>
<p>Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update</p>	<p>Page 15</p>

1 **82. Reference: Exhibit B-89, page 14**

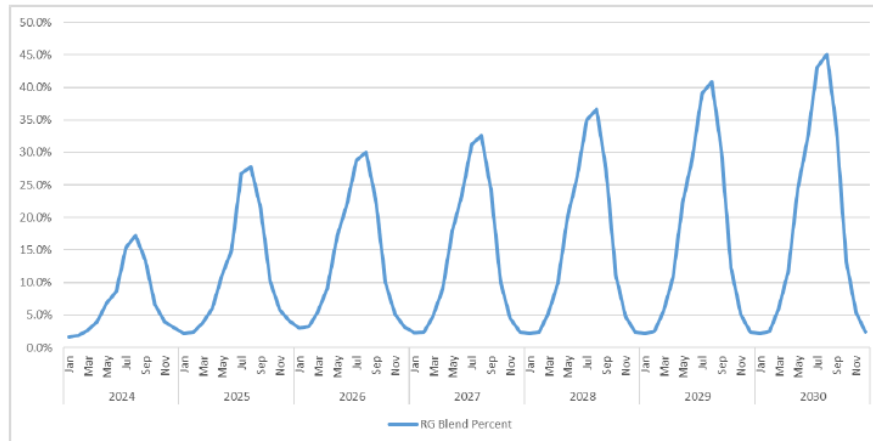
Figure 5-4: Monthly Renewable Gas Supply and Demand when the Blend Percent is set Monthly



In order to achieve the balance shown in the figure above, FEI is proposing to adjust the RNG blend percentage monthly so that when it is multiplied by the sales customers' volume it equals the RNG supply available for blending, thus helping to maximize the carbon tax refund it recovers on behalf of customers from the Province. This figure depicts supply and demand balancing on a forecast basis; however, it is not possible to perfectly match supply and demand on a forecast basis and, as such, monthly variances will still occur. Please see Section 5.5 for a discussion of monthly imbalances.

2

Figure 5-5: Range of Blend Percent to Match Supply and Demand



Please note that the estimated blend percentages provided in the above figure are illustrative of how the blend percent will change within each year of the revised Renewable Gas Program, and over time to 2030 as RNG supply grows. These blend percentages will be reviewed and adjusted each month as required, thereby allowing FEI to manage supply and demand so that they match as closely as possible, on a monthly basis, helping maximize the recovery of carbon tax credits associated with the RNG volumes received by customers.

3

4

5

82.1 Please discuss whether or not the monthly setting of RNG blend could result in significant variances in customer bills throughout the year, or if it could potentially

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 16

1 serve to smooth customer bills by adding costs when bills are lowest, and reducing
2 them when bills are highest.

3
4 **Response:**

5 Please refer to the response to MoveUP IR3 3.1.

6
7
8
9 82.2 At what point in the month would FEI make its decisions as to the blend
10 percentages?

11 82.2.1 Would this decision-making be an added element of other decisions that
12 FEI is making at the same time regarding forecast demand and required
13 supply? Please explain.

14
15 **Response:**

16 Please refer to the response to CEC IR3 77.1. This decision-making would be in addition to FEI's
17 existing monthly and annual reviews of its forecast Renewable Gas supply and demand.

18

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 17

1 **83. Reference: Exhibit B-89, page 16 and 17**

If FEI's forecast results in a residual imbalance whereby demand in a given month exceeds supply, then the Province will not provide a refund for the carbon tax credits granted to customers on the amount by which demand exceeds supply. To enable recovery of such amounts, FEI is proposing to account for un-refunded carbon tax credits in the LCGA to be recovered from all sales customers in a subsequent period when setting the S&T LC rider. Similarly, if the residual imbalance results in RNG supply exceeding demand in a given month, FEI will add any excess

supply to its low carbon gas inventory. If this inventory is delivered to customers in a subsequent period, FEI will not be able to recover a carbon tax refund from the Province on behalf of its customers. Therefore, FEI proposes to account for any un-refunded carbon tax amounts in the LCGA to be recovered from all sales customers in a subsequent period when setting the S&T LC rider.

Table 5-1: Example of the Difference in the Volume of Renewable Gas Received When Calculating Blend Percent Monthly vs. Annually

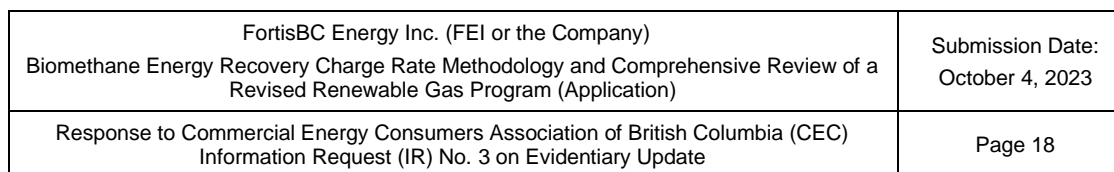
Line	Particulars	Jan - Apr	May - Aug	Sep - Dec	Total	Reference
1		(1)	(2)	(3)	(4)	
2	Rate Schedule (RS) X - UPC (GJ)	40.0	10.0	40.0	90.0	
3	Rate Schedule (RS) Y - UPC (GJ)	147.0	21.0	147.0	315.0	
4	Total (GJ)	187.0	31.0	187.0	405.0	Line 2 + Line 3
5						
6	RG Supply Available for Blend (GJ)	20.0	20.0	20.0	60.0	Renewable Gas available to deliver through Blend
7						
8	<u>Calculate Blend % Annually</u>					
9	RG Blend %				15%	(Line 6, Column (4)) / (Line 4, Column (4))
10						
11	RS X - RG delivered (GJ)	5.9	1.5	5.9	13.3	Line 2 x (Line 9, Column (4))
12	RS Y - RG delivered (GJ)	21.8	3.1	21.8	46.7	Line 3 x (Line 9, Column (4))
13	Total (GJ)	27.7	4.6	27.7	60.0	Line 11 + Line 12
14						
15	Monthly Difference (GJ)	(7.7)	15.4	(7.7)	-	Line 6 - Line 13
16						
17	<u>Calculate Blend % Monthly</u>					
18	RG Blend %	11%	65%	11%		Line 6 / Line 4
19						
20	RS X - RG delivered (GJ)	4.3	6.5	4.3	15.0	Line 2 x Line 18
21	RS Y - RG delivered (GJ)	15.7	13.5	15.7	45.0	Line 3 x Line 18
22	Total (GJ)	20.0	20.0	20.0	60.0	Line 20 + Line 21
23						
24	Monthly Difference (GJ)	-	-	-	-	Line 6 - Line 22
25						
26	<u>Annual Difference</u>					
27	RS X - RG delivered (GJ)				(1.7)	Line 11 - Line 20
28	RS Y - RG delivered (GJ)				1.7	Line 12 - Line 21
29	Total (GJ)				-	Line 27 + Line 28

83.1 Would FEI expect to recover these unrecoverable carbon tax credit amounts granted to customers annually, or over some other period of time?

Response:

The un-recovered credits will be debited to the LCGA as a cost of the revised Renewable Gas Program and included when determining the annual S&T LC Rider. This has the effect of recovering the unrecoverable carbon tax credits annually.

83.2 Please explain whether or not FEI could provide its % blend bi-weekly, weekly, or daily.



3 83.2.1.1 If yes, please explain whether or not FEI considered any of
4 these options, and why it selected monthly.

7 Please refer to the response to BCUC IR3 12.1.

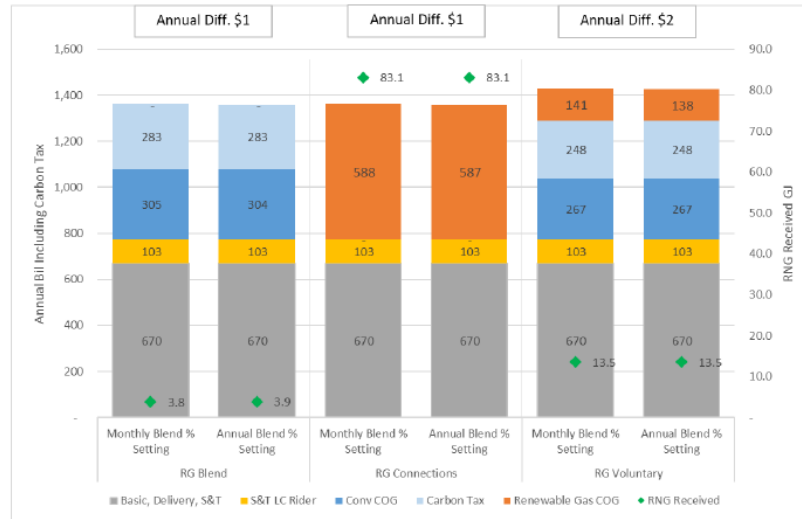
8

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 19

1 **84. Reference: Exhibit B-89, page 22**

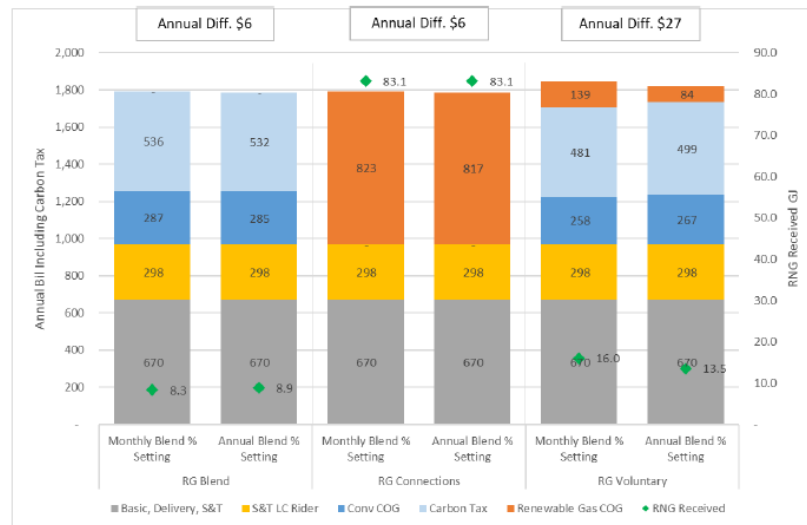
Finally, the following figures, in real 2022 dollars, compare the annual bill components between the RNG blend percentage set on a monthly versus annual basis for years 2024 and 2030. The amount of RNG in GJ is shown as green markers and the difference in the annual bill between the two methods is also included in boxes at the top of each figure.

Figure 5-12: Rate Schedule 1 Annual Bill Components Comparison for 2024



2

Figure 5-13: Rate Schedule 1 Annual Bill Components Comparison for 2030



3

4 **84.1** Please label each of the charts, including RS 2 and RS 3, to show \$2022.

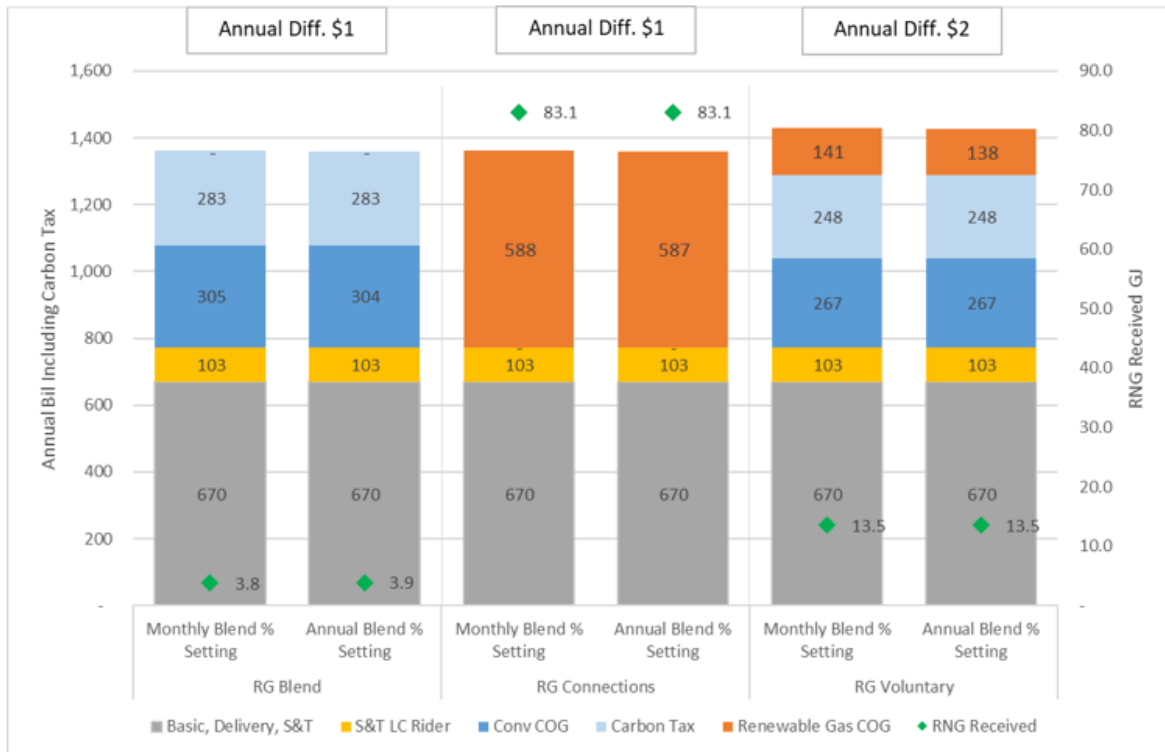
5

6 **Response:**

7 FEI has included the label (in 2022\$) in each of the figures below.

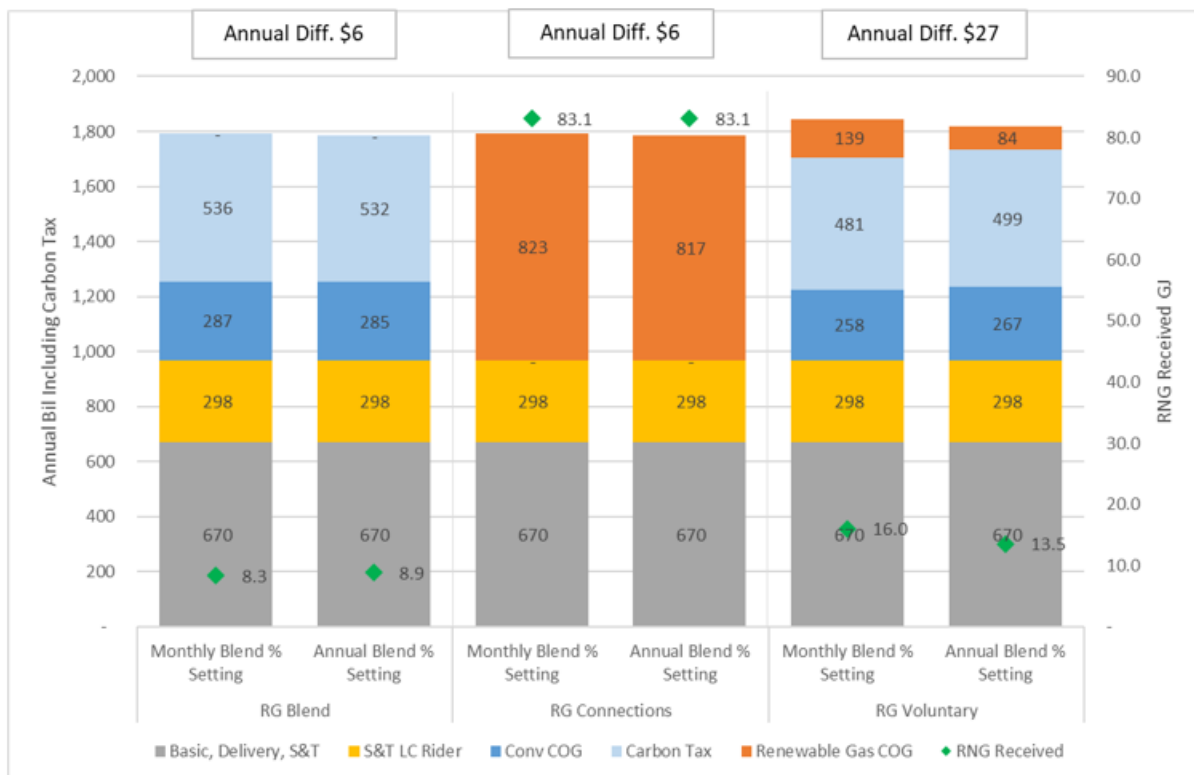
<p>FortisBC Energy Inc. (FEI or the Company)</p> <p>Biomethane Energy Recovery Charge Rate Methodology and Comprehensive Review of a Revised Renewable Gas Program (Application)</p>	<p>Submission Date: October 4, 2023</p>
<p>Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update</p>	<p>Page 20</p>

Figure 5-12: Rate Schedule 1 Annual Bill Components Comparison for 2024 (in 2022\$)



1

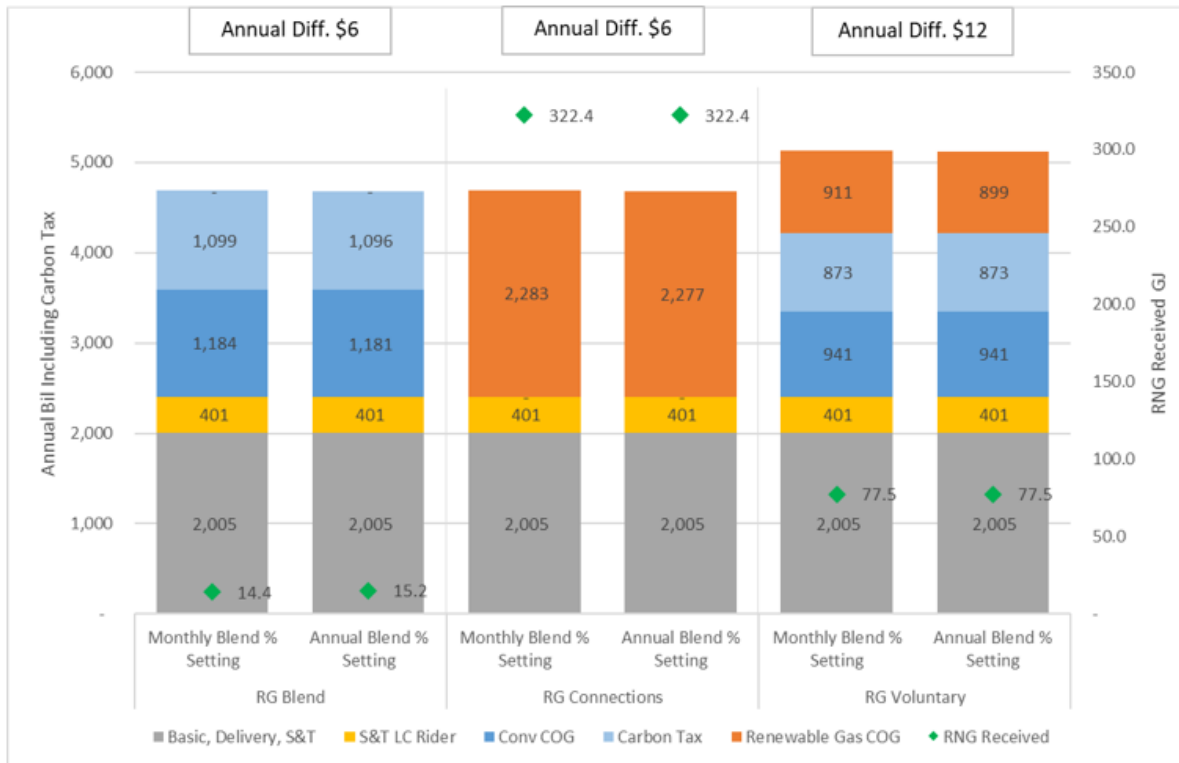
Figure 5-13: Rate Schedule 1 Annual Bill Components Comparison for 2030 (in 2022\$)



2

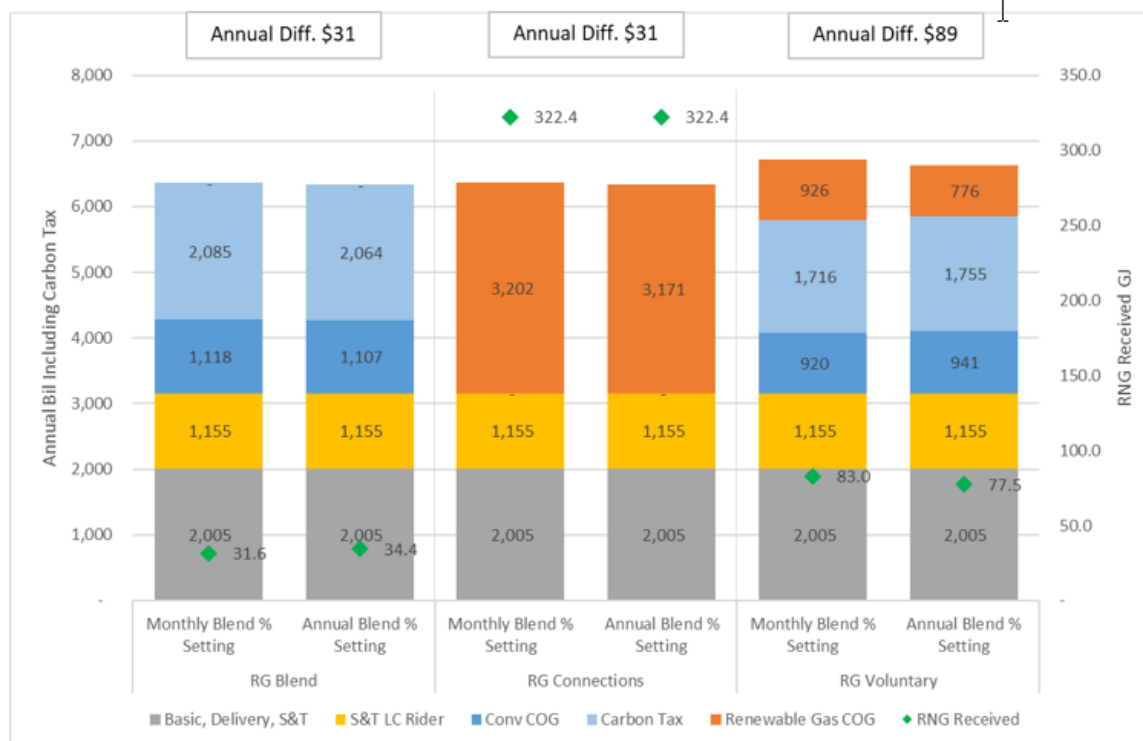
<p>FortisBC Energy Inc. (FEI or the Company)</p> <p>Biomethane Energy Recovery Charge Rate Methodology and Comprehensive Review of a Revised Renewable Gas Program (Application)</p>	<p>Submission Date: October 4, 2023</p>
<p>Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update</p>	<p>Page 21</p>

Figure 5-14: Rate Schedule 2 Annual Bill Components Comparison for 2024 (in 2022\$)



1

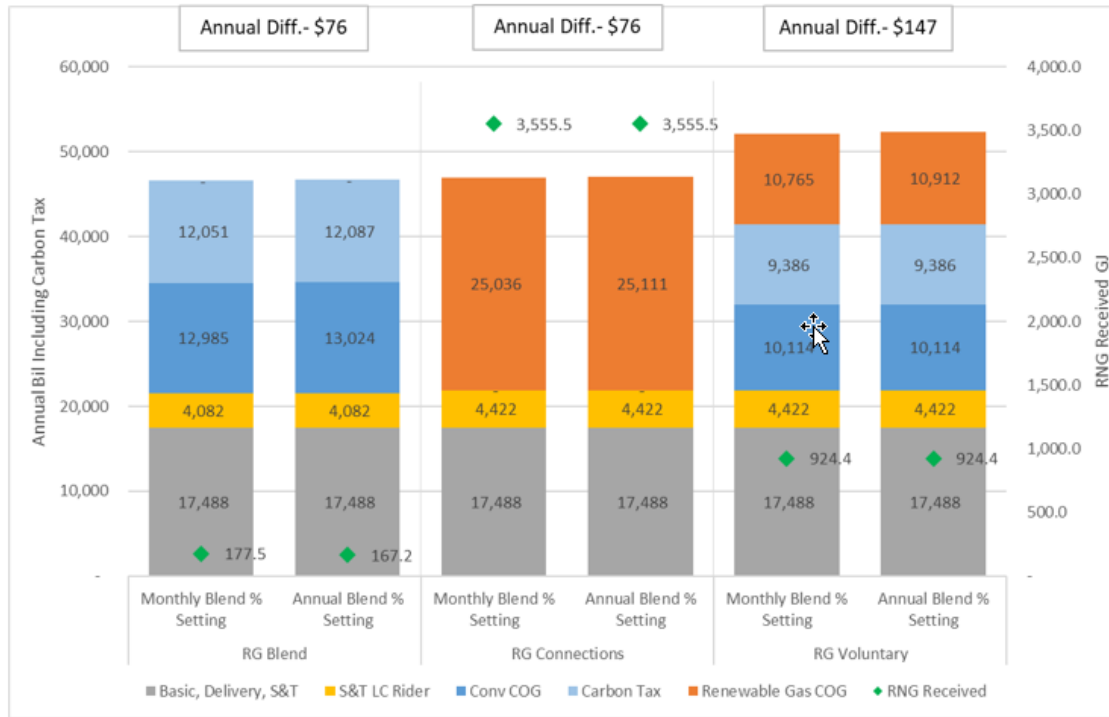
Figure 5-15: Rate Schedule 2 Annual Bill Components Comparison for 2030 (in 2022\$)



2

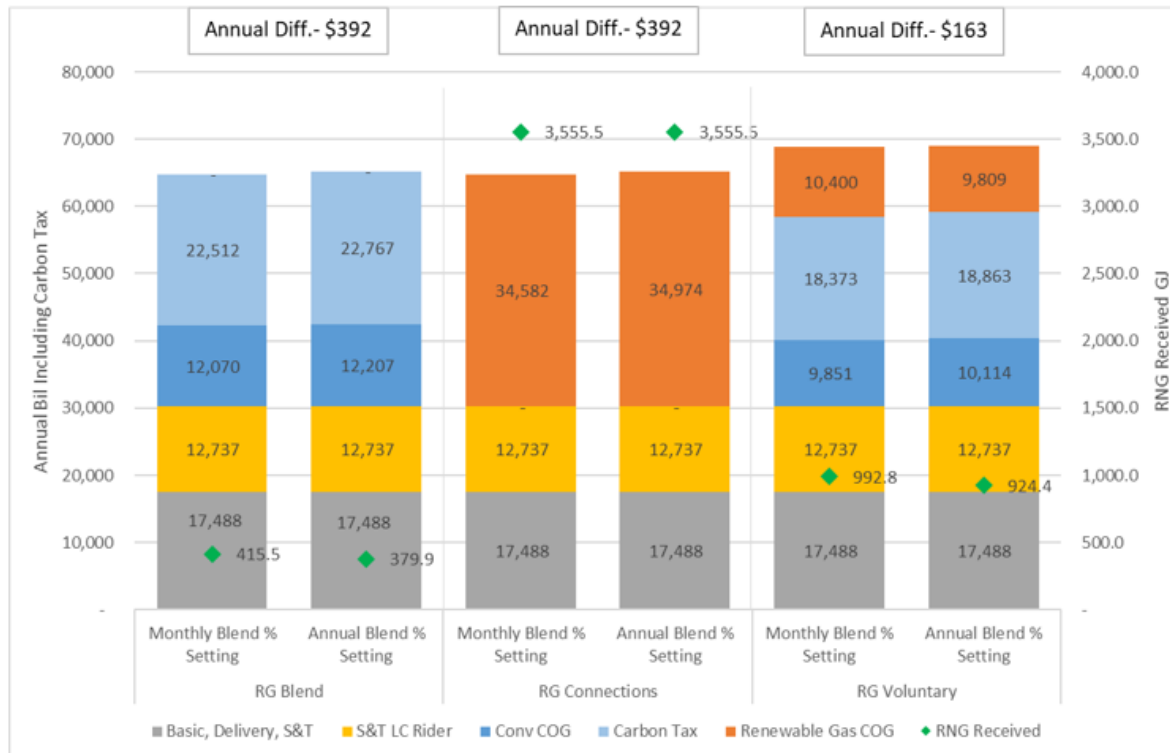
<p>FortisBC Energy Inc. (FEI or the Company)</p> <p>Biomethane Energy Recovery Charge Rate Methodology and Comprehensive Review of a Revised Renewable Gas Program (Application)</p>	<p>Submission Date: October 4, 2023</p>
<p>Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update</p>	<p>Page 22</p>

Figure 5-16: Rate Schedule 3 Annual Bill Components Comparison for 2024 (in 2022\$)



1

Figure 5-17: Rate Schedule 3 Annual Bill Components Comparison for 2030 (in 2022\$)



2
3

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 23

84.2 Please provide the basis for the 'Annual Bill'. Is this an historical average \$2022 bill that is forecast into the future and amended? Please explain.

Response:

As explained in the Evidentiary Update, FEI updated its forecast RNG supply and demand and proposed a change to the time period in which the Renewable Gas Blend percentage is set (from an annual to monthly basis). All of the other assumptions underlying the analysis in the Application are unadjusted. FEI provides the other assumptions from the Application that affect the bill impacts below.

- At the time that the Application was filed,⁴ FEI used a forecast use per customer⁵ (UPC) for its residential and commercial rate schedules and held them constant throughout the analysis period;⁶
- Similarly, FEI used customer counts⁷ at that time and held them constant throughout the analysis period;
- FEI used the then⁸ current basic, delivery, storage and transport, and cost of gas charges, and held them constant throughout the analysis period;
- FEI increased carbon tax to \$170 per tonne by 2030⁹ (\$8.40 per GJ); and
- FEI set the Biomethane Energy Recovery Charge (BERC), proposed to be renamed to the Low Carbon Gas (LCG) charge, over the analysis period to the cost of gas per GJ plus carbon tax per GJ plus \$7.

84.3 Please explain whether or not the above tables, and those that follow for Rate Schedules 2 and 3, include several assumptions for 2024 and 2030 regarding various charges, sales volumes, taxes, etc. and please provide those assumptions.

⁴ December 17, 2021.

⁵ Section 8.6 of the Application sets out the UPC used in the analysis.

⁶ The Application is fundamentally a rate design application where FEI proposed how to use the Renewable Gas acquired for its customers and how to recover the associated costs. FEI held UPC, customer count, and charges unaffected by the Application proposals constant through the analysis period so that the impacts from its proposals in the Application are evident in the bill impacts.

⁷ Ibid.

⁸ In the Application, the Basic, Delivery, Storage & Transport and Cost of Gas charges did not include inflation and, as such, are already in real 2022 dollars. The forecast of Renewable Gas supply costs is without consideration for inflation so was also in real dollars.

⁹ The only charge embedded in the figures within the Application that is nominal is carbon tax. Therefore, FEI has discounted carbon tax by 2 percent per year to calculate real 2022 dollars.

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
Response to Commercial Energy Consumers Association of British Columbia (CEC) Information Request (IR) No. 3 on Evidentiary Update	Page 24

1 **Response:**

2 Please refer to the response to CEC IR3 84.2.

3

4

5

6 84.4 Would any of those assumptions affect the Annual Differences noted in the Tables,
7 and if so, please explain how and provide examples with quantification.

8

9 **Response:**

10 Please refer to the response to CEC IR3 84.2.

11