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October 4, 2023

My Sea to Sky  
P.O. Box 2668  
Squamish, BC  
V8B 0B8

Attention: Mr. Eoin Finn, Research Director

Dear Mr. Finn:

**Re: FortisBC Energy Inc. (FEI)  
Revised Renewable Gas Program Application – Stage 2 (Application)  
Response to My Sea to Sky (MS2S) 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 MS2S IR No.3 on Evidentiary Update.

If further information is required, please contact the undersigned.

Sincerely,

**FORTISBC ENERGY INC.**

***Original signed:***

Sarah Walsh

Attachments

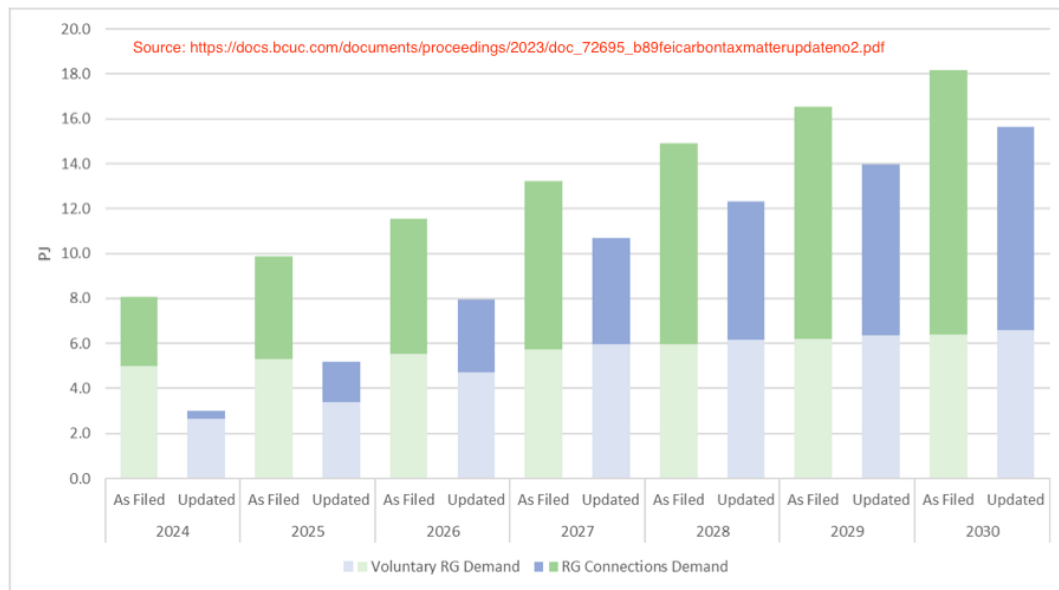
cc (email only): Commission Secretary  
Registered Interveners

1 **My Sea to Sky requests some information on FEI’s Exhibit B-89.**

2 **1. FEI Evidentiary (Carbon Tax) Update (Exhibit B-89) – Future Demand for RG (RNG)**

3 Figure 5.2 of FEI’s Evidentiary Update (Exhibit B-89) forecasts the demand for RG  
4 (renewable gases, including RNG, Hydrogen, Syngas and Lignin).

**Figure 5-2: Updated Renewable Gas Demand Forecast**



5 MS2S continues to be curious about these RG forecasts. Specifically, Figure 5-2 updates  
6 (and generally reduces) earlier forecasts of Voluntary RG demand to show it as ~ 3PJ in  
7 2024, doubling to ~ 6PJ by 2027, and remaining at about that level through 2030.  
8

9 Earlier in this proceeding, FEI stated that it has a participation figure of about 10,000  
10 Voluntary RNG customers, the vast preponderance of whom are Residential customers  
11 who mainly subscribe to a 10% RG (currently RNG, as the sole RG in the current blend)  
12 at the current ~ \$7/GJ premium. FEI has also stated that the average residential customer  
13 consumes about 90 GJ of gas annually. Doing the math on these figures forecasts a 2024  
14 Voluntary Customer demand, ceteris paribus, of somewhere in the region of  
15  $((10,000 * 90 * 10\%) / 1000000 =) 0.09 \text{ PJ per annum}$ .

16 **Information Requests:**

17 1.1 Can FEI please explain how it arrived at the 2024 Voluntary Customer demand  
18 forecast of ~ 3PJ/annum, over 30 times the above 0.09PJ estimate? What changes  
19 to the 2024- 2027 Voluntary Customer program would engender such a large, and  
20 very rapid, increase – especially as it has stated that it will need several months  
21 into 2024 for FEI to absorb BCUC’s decision on BERC and implement changes to  
22 the Voluntary RG program?

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

2 **Response:**

3 MS2S's 0.09 PJ per annum estimate is inaccurate since it considers only residential customers.  
4 While residential customers make up the greatest share of participants in the Renewable Gas  
5 Program, they only account for a small proportion of RNG demand. Most of the RNG sold through  
6 the Renewable Gas Program is purchased by commercial customers, including NGT, public  
7 sector and commercial enterprise customers. Based on year-to-date and projected RNG sales for  
8 2023, FEI anticipates that total RNG sales could reach approximately 2 PJ in 2023.

9 Further, FEI's updated forecast of RNG sales to Voluntary Renewable Gas service customers in  
10 2024 is approximately 2.6 PJ, as opposed to the approximately 3 PJ estimated by MS2S in the  
11 preamble to the question.

12 FEI notes that the consumption by Voluntary Renewable Gas service customers changes  
13 regularly with the addition and loss of customers, and any forecast is a point in time estimate of  
14 the expected volumes. However, given the Long Term Service Agreements that FEI currently has  
15 in place with existing, large volume customers, and allowing for continued growth in customer  
16 enrollment, FEI considers the updated forecast to be reasonable.

17

18

19

20 1.2 Why would RG demand double by 2027 and then level off in the 2027-2030  
21 interval?

22

23 **Response:**

24 The levelling off in FEI's updated RNG demand forecast is due to the conservative approach FEI  
25 used to forecast years 2027-2030, as this period is subject to greater uncertainty than earlier  
26 years in the forecast. In particular, in developing the forecast, FEI observed that the existing  
27 Voluntary Renewable Gas Program has performed better than anticipated since reopening in  
28 2021, especially with non-public sector Rate Schedule 2 and 3 commercial customers. As such,  
29 years 2024-2027 of the demand forecast reflect the continuation of this growth. FEI did not reflect  
30 the Program's recent performance through the entire forecast period as it is less certain how long  
31 this growth will be maintained.

32

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34

35 1.3 What are the approximate updated proportions of the various RGs in (a) the 2024  
36 , (b) the 2027 and (c) the 2030 blends to be offered to Voluntary RG customers?;

37

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1 **Response:**

2 Pursuant to Order G-165-22A, the scope of this proceeding is limited to the consideration of RNG,  
3 rather than Renewable Gas more broadly. As such, FEI has only forecast RNG demand and not  
4 depicted the proportions of other renewable and low carbon fuels, such as hydrogen, syngas or  
5 lignin.

6  
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8

9 1.4 We note in Figure 5-2 the updated 2030 figure of ~ 15.5PJ of RG demand by  
10 Voluntary RG customers. That is roughly 6% of the ~ 250PJ total gas demand that  
11 FEI predicts for 2030. How does this figure tally with FEI's earlier statement that it  
12 hoped to increase the RNG in the RG blend to around 1% by 2024, 4% by 2028  
13 and 11% by 2032 (to help meet CleanBC climate action targets)?

14

15 **Response:**

16 The approximately 15.5 PJ of RNG demand in the updated forecast for 2030 in Figure 5-2 is only  
17 comprised of demand from Voluntary Renewable Gas and Renewable Gas Connections service  
18 customers. The Renewable Gas Blend service sales volume is not depicted in Figure 5-2.

19

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21

22 1.5 How does this (6% v. ~ 11%) RG demand shortfall affect FEI's plans to meet the  
23 "CleanBC Roadmap to 2030" target of 47% reduction in FEI's customer  
24 emissions?

25

26 **Response:**

27 FEI does not expect the reduction in forecast demand under the Voluntary Renewable Gas  
28 service to affect FEI's ability to meet the proposed GHG emissions cap on natural gas utilities set  
29 out in the CleanBC Roadmap. In particular, FEI does not expect the Voluntary Renewable Gas  
30 service to be the primary compliance pathway to meeting the emission cap, as demand from both  
31 the Renewable Gas Connections and Renewable Gas Blend services will also count towards the  
32 GHG emissions cap.

33

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1    **2.    Demand Side RG Supply/Demand Balancing Exhibit B-89, Section 4.2, pp. 9–10**

2    On page 9 of the [Evidentiary Update \(B-89\)](#), FEI states:

3    Specifically, for each month, FEI will determine a Renewable Gas Blend for all Sales  
4    Customers based on the forecast supply and demand for RNG for that month. This will  
5    enable FEI to sell its RNG supply to its customers in BC in an effort to maximize the carbon  
6    tax refund available for the benefit of customers. FEI notes that it still proposes to set the  
7    S&T LC rider annually based on a forecast overall blend it will provide to customers over  
8    the year. Continuing to set the S&T LC rider in this way will continue to ensure that no  
9    monthly bill volatility, with respect to the recovery of RNG costs, occurs from changing the  
10   Renewable Gas Blend percentage monthly.

11    **Information Requests**

12    2.1    Please estimate the extent of monthly bill volatility due to monthly fluctuations in  
13    the percentage of Renewable Gas Blend. Please describe the extent of such  
14    volatility in dollar and percentage values of the monthly bills for an average  
15    customer in each of Rate Schedule - RS 1, RS 2, and RS 3.

16

17    **Response:**

18    Please refer to the response to BCUC IR3 10.1.

19

20

21

22    2.2    As over 70% of RNG supply contracted by FEI will be from outside (BC)  
23    jurisdictions, and that supply will largely be delivered, not physically, but by  
24    displacement, and much of it will be in the form of carbon credits, please describe  
25    what “inventorying” will mean in practice

26

27    **Response:**

28    Contrary to the premise of the question, RNG is not in the form of a carbon credit, but rather,  
29    molecules of biomethane that have associated environmental attributes.

30    As part of inventorying, FEI will keep track of the amount of RNG acquired (supply) and sold  
31    (demand). The inventorying is done by accounting for the cumulative differences between  
32    purchases and sales. Like other renewable products, such as Renewable Energy Certificates  
33    (RECs) for electricity, the value of the RNG and its environmental attributes do not expire and are  
34    transferred at the time of purchase by a customer. At that point, the inventory is drawn down.

35

36

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1           2.3     For carbon credits derived from the “environmental attributes” of RNG sourced  
2                     from outside BC, please explain the accounting treatment of their use in claiming  
3                     carbon tax rebates and arriving at the cost of goods sold – will it be FIFO, LIFO,  
4                     average pricing, what?  
5

6     **Response:**

7     Contrary to the premise of the question, RNG is not in the form of a carbon credit, but rather,  
8     molecules of biomethane that have associated environmental attributes.

9     The value of carbon tax credits associated with all sales of biomethane to customers is determined  
10    based on the carbon tax rate applicable at the time of billing. Any carbon tax refund claim that is  
11    associated with that sale will be claimed using the same carbon tax rate at that time. RNG sourced  
12    within or outside of BC is accounted by FEI in the same way and both are eligible for Provincial  
13    carbon tax credits/refunds.

14  
15

16

17           2.4     As we understand that much of FEI’s RG supply will (a) be sourced from outside  
18                     BC; (b) be notionally delivered by displacement and (c) be in the form of  
19                     (paper/electronic?) carbon offsets, won’t compensating FEI for the costs of  
20                     supply/demand mismatches via a volatile “Storage & Transport” rider be quite  
21                     misleading to customers reading their monthly gas service bills?  
22

23     **Response:**

24     Contrary to the premise of the question, RNG is not a carbon offset, but rather, molecules of  
25     biomethane that have associated environmental attributes.

26     The BC *Carbon Tax Act* specifies that the customer, as the purchaser of natural gas, is liable to  
27     pay the carbon tax liability to the government. FEI only collects and remits the customer’s carbon  
28     tax to the government as the agent of the government. FEI is not liable for the customer’s tax.  
29     Consequently, any risk with carbon tax liability remains with the customer. Therefore, FEI is not  
30     being “compensated” for supply/demand imbalances through the S&T LC Rider. Rather, FEI is  
31     proposing to recover carbon tax credits provided to customers, but denied by the Province,  
32     through the S&T LC Rider.

33     Please refer to Section 4.2 (page 10) of the Evidentiary Update and the responses to BCUC IR3  
34     10.1 and MS2S IR3 2.1 for a discussion of how setting the S&T LC Rider does not create monthly  
35     variability.

36

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1           2.5     In broad terms, please describe the effect on (a) the amount of RG FEI plans to  
2                     deliver by 2030 and (b) RG Blend customer bills to 2030, if BCUC denies approval  
3                     of just the RG Connections portion of the Application?  
4

5     **Response:**

6     Please refer to the response to BCUC IR3 5.1.

7

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1   **3.   FEI's engagement with BC's Finance Ministry on the RNG/Carbon Tax matter**

2   On page 2 of FEI's [Evidentiary Update \(B-89\)](#), FEI states:

3   Since early 2022, FEI has been engaging with the Ministry with respect to receiving  
4   confirmation that FEI's inventorying practice will not preclude it from recovering carbon tax  
5   refunds from government on behalf of its customers. During this time, FEI has  
6   communicated the merits and necessity of continuing its practice of inventorying  
7   biomethane for blending into the gas system in subsequent reporting periods where supply  
8   and demand are not equal.

9   FEI's engagement efforts with the Ministry resulted in a meeting in March 2023, where the  
10   Ministry concluded that, under the Carbon Tax Act, FEI can only claim a carbon tax refund  
11   for the lesser of the amount of biomethane credits provided to customers in the monthly  
12   reporting period and the amount of biomethane that is physically blended in the same  
13   reporting period.

14   For example, if FEI receives 100,000 GJ of biomethane per month from its suppliers, but  
15   demand is only 75,000 GJ (e.g., a warmer month), FEI cannot allocate the 25,000 GJ  
16   difference to a future reporting period when demand for biomethane exceeds supply. As  
17   a result, FEI would not be able to inventory biomethane from month-to-month for the  
18   purpose of recovering carbon tax refunds from government on behalf of its customers  
19   (through a reduction of FEI's carbon tax remittance to the Ministry).

20   **Information Requests**

21   3.1   Considering FEI's voluntary biomethane program has been in place since 2010,  
22   and the [Carbon Tax Act](#) since 2008/9, please explain why this topic only came up  
23   for discussion in early 2022?  
24

25   **Response:**

26   Please refer to the response to BCUC IR3 6.1.  
27  
28

29

30

31   3.2   What has FEI's biomethane inventorying practice been in the 2010-2023 interval?  
32

32   **Response:**

33   As described in Section 2 of the Evidentiary Update, FEI's biomethane inventorying practice  
34   between 2010 and 2023 has been to carry any excess RNG supply forward as inventory,  
35   accounted for in the Biomethane Variance Account (BVA), for sale in future periods when demand  
36   exceeds the supply available from its suppliers.



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3.3 Does FEI now have an unrecognized liability with respect to its past practice?

**Response:**

No. FEI has paid the carbon tax liability of \$384,844.36 (tax and interest) identified by the Ministry of Finance.

3.4 Please confirm that it is the mixing/blending step that is crucial to the timing constraint in the Ministry's interpretation of the *Carbon Tax Act*.

**Response:**

The blending step is important, but the key timing constraint is the reporting period of one month, which is the period during which FEI must sell any biomethane that is blended that month in order to receive a carbon tax refund from the Province for any carbon tax credits given to customers.

3.5 Does the Finance Ministry's interpretation of "physical blending" apply equally to physical and notional blending? Please explain the answer with respect to FEI's notional delivery of "RNG" to BC customers in the form of carbon credits/offsets.

**Response:**

The BC Ministry of Finance's interpretation of blending means blending of biomethane occurs when it is physically injected into the pipeline. This interpretation of blending is used in relation to determining the volume of biomethane acquired in a month for purposes of FEI's carbon tax refund. The carbon tax credit available to a customer is not impacted by this interpretation, as a customer's carbon tax credit is based on the biomethane percentage that the customer has signed up to receive under FEI's RNG Program.

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1   **4.   FEI's mitigating measures**

2           On page 7 of the Evidentiary Update, FEI states:

3           "3.3 MITIGATING MEASURES

4           Given the Carbon Tax Ruling, FEI must take mitigating measures to begin to balance  
5           supply and demand monthly for the benefit of customers. As FEI's RNG supply is greater  
6           than demand and relatively flat compared to the typically heat-sensitive load, FEI must  
7           either reduce or shape its RNG supply or increase its sales of RNG in BC. As outlined in  
8           Section 4 below, FEI's key mitigation measures are to (1) resell or redirect its RNG supply  
9           from its suppliers to markets outside of BC; and (2) implement the Renewable Gas Blend  
10          where the blend is changed on a monthly basis to match as closely as possible FEI's  
11          forecast demand for RNG in the month." [Exhibit B-89, underline added]

12          **Information Requests**

13          4.1       FEI is now requesting the mitigation ability to adjust the percentage of RNG  
14                  delivered monthly to its sales customers (commencing in 2024 with a 1% Blend)  
15                  so as to closely match RNG supply and demand in the absence of inventorying. It  
16                  is also requesting the ability to sell excess RNG to markets outside the Province.  
17                  As applying a monthly percentage would seem to afford FEI a precise matching  
18                  tool, please explain why FEI would have to sell any RNG outside the Province as  
19                  a result of the Ministry's carbon tax ruling.

20  
21          **Response:**

22          Contrary to the premise of the question, FEI is not seeking any approval from the BCUC in this  
23          proceeding to sell RNG outside of BC. As described in the Evidentiary Update, any amendments  
24          to FEI's biomethane purchase agreements to facilitate sales of RNG outside of BC will be filed  
25          with the BCUC for acceptance via a separate process, pursuant to section 71 of the UCA. Please  
26          also refer to the response to BCUC IR3 8.4.

27