



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

Residential Consumer Intervener Association
c/o Midgard Consulting Inc.
Suite 828 – 1130 W Pender Street
Vancouver, B.C.
V6E 4A4

Attention: Peter Helland, Director

Dear Peter Helland:

**Re: FortisBC Energy Inc. (FEI)
Revised Renewable Gas Program Application – Stage 2 (Application)
Response to the Residential Consumer Intervener Association (RCIA)
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 RCIA 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 Residential Consumer Intervener Association (RCIA) Information Request (IR) No. 3 on Evidentiary Update	Page 1

1 **INTRODUCTION**

2 **54.0 Reference: Exhibit B-89, FEI BERC Rate Methodology and Comprehensive**
3 **Review of a Revised RNG Program, Section 1. PG. 1**

4 At the above noted location FEI states:

5 “FEI must balance renewable gas supply and demand monthly, as receiving
6 carbon tax refunds under the Carbon Tax Act requires that FEI acquire RNG each
7 month to match any RNG it sells to customers”

8 54.1 Please explain what financial forecasting (i.e., cost to purchase RNG, revenue
9 collected from RNG sales, revenue collected from RNG/RIN market sales, storage
10 costs, etc.) FEI has undertaken regarding the monthly balancing of renewable gas
11 supply and demand.

12 a) Please explain the assumptions for the financial forecast, including a brief
13 explanation of inventory management costs (e.g., Are the renewable gas sales
14 going to come from FEI inventory stored in commercial storage?)

15 **Response:**

16 Balancing RNG supply and demand on a monthly basis does not require financial forecasting.
17 Rather, the balancing requires the forecasting of anticipated supply and demand *volumes* (i.e.,
18 gigajoules) from one month to the next. Please refer to the response to CEC IR3 77.1 for more
19 information.

20



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 Residential Consumer Intervener Association (RCIA) Information Request (IR) No. 3 on Evidentiary Update	Page 3

1 **Eligibility Requirements for RINs**

2 Refiners or importers of gasoline are considered obligated parties under the RFS program. This
3 means that they must remain compliant with the RFS program by either blending renewable fuels
4 into transportation or by purchasing RINs.

5 Renewable Fuel Producers generate RINs, Market Participants trade RINs, and Obligated Parties
6 retire RINs for compliance.

7 To meet the qualifications set out by the RFS, a fuel must meet the definition of renewable fuel
8 and biomass. The fuel must also meet an approved fuel pathway. The facility must then register
9 to be eligible to create RINs. This registration process involves providing the US EPA with details
10 including a third-party engineering review that details all materials assembled by the producer.

11 **Delivery Requirements for RINs**

12 RINs can be delivered/traded in two ways. “Assigned RINs” are directly associated with a batch
13 of fuel and stay with that batch of fuel from party to party. When a party purchases an Assigned
14 RIN, they are purchasing both the renewable fuel and the RINs together. “Separated RINs”, in
15 contrast, were once assigned with a batch of fuel but are no longer assigned to that batch.
16 Therefore, the party is purchasing the RIN which is an environmental attribute associated with
17 that fuel only.

18 **Price and Settlement Mechanics for RINs**

19 A database record for all transactions involving RINs is moderated by the EPA, this database
20 system is called the EPA Moderated Transaction System (EMTS). A fuel producer and an
21 obligated party will enter into a contract outside of the EMTS. Each of the parties will then enter
22 into the EMTS a separate record for buying and selling the RINs. The EMTS will match the trade
23 and if a quality assurance check is passed, the RINs are then transferred between the parties’
24 accounts. The RIN market is an open market and, as such, the sale of RINs is subject to pricing
25 volatility.

26
27

28

29 55.2 Please detail which renewable gas or RNG purchases automatically qualify for
30 RINs.

31

32 **Response:**

33 RNG purchases do not “automatically” qualify for RINs. Please refer to the response to RCIA IR3
34 55.1 for further information on the RIN market.

35

36



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 Residential Consumer Intervener Association (RCIA) Information Request (IR) No. 3 on Evidentiary Update	Page 4

1
2 55.3 For RNG supply that is not automatically qualified for RINs, please explain what
3 steps are required to qualify it for the RINs market.

4
5 **Response:**

6 Please refer to the response to RCIA IR3 55.1.

7
8

9
10 55.4 What is FEI's forecast for RIN prices for the next five (5) years?

11 a) Please explain how FEI built the forecast of RIN prices.

12
13 **Response:**

14 Please refer to the response to CEC IR3 77.3.

15
16

17
18 55.5 Does sale of a unit of RNG into a RIN market require the physical transfer of RNG
19 molecules, or is the transaction a "paper only" transaction of the environmental
20 attributes of the RNG?

21
22 **Response:**

23 The sale of a unit of RNG into the RIN market is a "paper only" transaction, but it requires the
24 physical injection of RNG into the gas system and the end use by a transportation fuel user.
25 Please also refer to the response to RCIA IR3 55.1.

26
27

28
29 55.6 Please compare the cost, delivery mechanisms, and physical delivery
30 requirements of FEI's RNG contracts with the cost, delivery mechanisms, and
31 physical delivery requirements of RIN market compliant pipeline-quality natural
32 gas.

33
34 **Response:**

35 All of the delivery mechanisms required for conventional natural gas need to be in place for RNG
36 and by extension, the RIN market. For example, the RIN market requires the physical connection
37 of an RNG producer to the existing natural gas network in North America, as well as physical



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 Residential Consumer Intervener Association (RCIA) Information Request (IR) No. 3 on Evidentiary Update	Page 5

1 dispensing of a gas molecule to an end user in the transportation market. Given the above
2 similarities, the RIN market attracts costs commensurate with these same mechanisms. The
3 difference is that RINs are sold separately from the gas molecule.

4
5

6

7 55.7 Please confirm if there are circumstances in which FEI may sell renewable gas
8 into RIN markets and then re-purchase natural gas from RIN markets at a later
9 time?

10

11 **Response:**

12 Not confirmed. There are currently no circumstances in which FEI would purchase RNG from the
13 RIN market as the current regulatory regime in BC does not recognize the RIN market as a
14 pathway for RNG.

15



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 Residential Consumer Intervener Association (RCIA) Information Request (IR) No. 3 on Evidentiary Update	Page 6

1 **IMPACT ON EXISTING BIOMETHANCE PROGRAM WITHOUT MITIGATION**

2 **56.0 Reference: Exhibit B-89, FEI BERC Rate Methodology and Comprehensive**
3 **Review of a Revised RNG Program, Section 3.1. PG. 6**

4 At the above noted location FEI states:

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

16 56.1 When will FEI know if the Ministry will determine whether or not there is carbon tax
17 owing in respect of the past months in question?

18 **Response:**

19 Please refer to the response to CEC IR3 75.1.
20
21



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 Residential Consumer Intervener Association (RCIA) Information Request (IR) No. 3 on Evidentiary Update	Page 7

1 **57.0 Reference: Exhibit B-89, FEI BERC Rate Methodology and Comprehensive**
2 **Review of a Revised RNG Program, Section 3.2, PG. 7**

3 At the above noted location FEI states:

4 “While the existing carbon tax legislation will effectively result in customers paying
5 carbon tax on this energy, FEI’s customers will continue to be able to report or
6 claim a reduction in GHG emissions.”

7 57.1 Please explain why FEI thinks that the existing carbon tax legislation prevents it
8 from claiming the carbon tax credit on the full volume of the RNG blended into the
9 system.

10
11 **Response:**

12 Please refer to page 4 of the Evidentiary Update.

13 A biomethane refund is limited to the lesser of either:

- 14 • the biomethane credits granted to customers in a reporting period; or
- 15 • the biomethane blended in a reporting period.

16 The Ministry of Finance (Ministry) has confirmed its interpretation that blending of biomethane in
17 the period is limited to the biomethane physically injected in the pipeline during the reporting
18 period. As FEI files its carbon tax remittances on a monthly basis, it also has a monthly blending
19 period. As a result, if in a particular month biomethane is blended in volumes greater than the
20 volumes associated with the credits granted to customers (as illustrated in Section 2 of the
21 Evidentiary Update), the potential refund associated with the “excess” biomethane volumes
22 cannot be recognized in a subsequent month, resulting in a variance between the credit granted
23 to customers and the refund FEI is eligible to receive.

24
25

26
27 57.2 Please confirm that carbon tax credits cannot be claimed on renewable gas that is
28 delivered for general, non-RNG residential service (i.e., not a voluntary RNG
29 customer).

30
31 **Response:**

32 FEI confirms that it can only provide carbon tax credits to customers to whom it is selling RNG.

33
34
35



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 Residential Consumer Intervener Association (RCIA) Information Request (IR) No. 3 on Evidentiary Update	Page 8

1 57.3 Please confirm if it is physically possible for FEI to place RNG into storage until
2 such a time that RNG can be sold within the required time period to qualify for
3 carbon tax credits.
4 a) If yes, under which circumstances will FEI store RNG, and under which
5 circumstances will it resell RNG into the market?
6

7 **Response:**

8 FEI considered and rejected physical storage of RNG to satisfy the requirements of the current
9 carbon tax legislation for the following reasons.

10 First, the carbon tax legislation does not allow for any inventory (paper or physical) to be carried
11 over between periods. Therefore, physically storing RNG would not resolve the carbon tax matter.

12 Second, as RNG is injected into the gas system and co-mingled with conventional natural gas,
13 inventoried RNG in physical storage, whether geologic or as line pack, would be indistinguishable
14 from conventional natural gas, making accounting for it in storage redundant to the RNG
15 accounting that FEI has relied on to date.

16 Finally, it is not economically feasible to physically store RNG at the production plant prior to being
17 comingled with conventional natural gas. Natural gas is typically stored in underground formations
18 or liquified near customer demand nodes. Both methods of storage provide benefits that make up
19 for the cost of storage. Physically storing it in a tank, either as a gas or liquid at a production site,
20 would not be economically feasible as it would add costs without the geographic proximity benefits
21 that conventional storage facilities provide.

22



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 Residential Consumer Intervener Association (RCIA) Information Request (IR) No. 3 on Evidentiary Update	Page 9

1 **SOLUTION IS TO BALANCE RNG SUPPLY AND DEMAND ON A MONTHLY BASIS**

2 **58.0 Reference: SUPPLY-SIDE MEASURES TO BALANCE RENEWABLE GAS**
3 **SUPPLY AND DEMAND Exhibit B-89, Section 4.1, PP. 8–9**

4 At the above noted location FEI states:

5 “The costs or benefits from the redirection of RNG will be accounted for in the
6 LCGA (currently named the BVA).”

7 58.1 Please confirm that only costs and benefits related to the redirection of RNG that
8 meets the definition of prescribed undertaking within the GGRR will be accounted
9 for in the LCGA.

10
11 **Response:**

12 Not confirmed. FEI has active RNG supply contracts that were approved by the BCUC prior to
13 the GGRR being enacted in addition to active RNG supply contracts that were approved by the
14 BCUC as prescribed undertakings within the GGRR. FEI can confirm that the BVA (to be renamed
15 the LCGA) has been approved to capture any revenue or costs of the RNG Program, which would
16 include any costs and revenues associated with the redirection of RNG.

17



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 Residential Consumer Intervener Association (RCIA) Information Request (IR) No. 3 on Evidentiary Update	Page 10

1 **AMENDMENTS TO THE APPLICATION TO IMPLEMENT THE SOLUTION**

2 **59.0 Reference: Exhibit B-89, FEI BERC Rate Methodology and Comprehensive**
3 **Review of a Revised RNG Program, Section 5, PG. 11; BC**
4 **Greenhouse Gas Reduction Regulation, Section 3.8**

5 At the above noted location FEI states:

6 "FEI described how adjusting the RNG blend percentage on a monthly basis can
7 closely match forecast RNG demand"

8 Section 3.8 of the GGRR states:

9 "3.8) The public utility acquires renewable natural gas

10 (a) at costs that meet the following criteria, as applicable:

11 (i) if the public utility acquires renewable natural gas by purchasing it, the price of
12 the renewable natural gas does not exceed the maximum amount, determined
13 in accordance with section 9, in effect in the fiscal year in which the contract
14 for purchase is signed;

15 (ii) if the public utility acquires renewable natural gas by producing it, the levelized
16 cost of production reasonably expected by the public utility does not exceed
17 the maximum amount, determined in accordance with section 9, in effect in the
18 fiscal year in which the public utility decides to construct or purchase the
19 production facility, and

20 (b) that, in a calendar year, does not exceed 15% of the total amount, in GJ, of
21 natural gas provided by the public utility to its non-bypass customers in 2019,
22 subject to subsection (3.9) and section 10."

23 59.1 Considering the Carbon Tax Ruling's impact upon FEI's management of
24 renewable gas inventories, please list the volumes of renewable gas purchased
25 for each month of 2023 to date, and how much of each month's renewable gas
26 purchases was:

27 a) delivered to Fortis customers

28 b) kept in physical storage, and

29 c) sold to third parties (i.e., non-FEI customers)

30

31 **Response:**

32 Please refer to the requested information in the table below.



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 Residential Consumer Intervener Association (RCIA) Information Request (IR) No. 3 on Evidentiary Update	Page 11

Item	units	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Total 2023 YTD
Total RNG Purchases (Supply)	<i>TJ</i>	218	240	251	235	245	242	371	365	2168
Sold to customers	<i>TJ</i>	139	156	169	138	112	104	103	103	1022
Inventoried	<i>TJ</i>	79	84	82	97	134	139	268	262	1146
Sold to third parties	<i>TJ</i>	0	0	0	0	0	0	0	0	0

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21

59.2 Please confirm that FEI is not treating the resale of renewable gas volumes to non-customers (or non-FEI ratepayers) as a reduction in the calculation of the annual 15% GJ volume referenced in sections 3.8 (b) and 10 of the GGRR, which in turn would allow incremental renewable gas volume purchases to be deemed prescribed undertaking.

Response:

Not confirmed. If the resale meets the conditions of section 2(3.9) of the GGRR, then the volumes may not count towards the volume cap in section 2(3.8) of the GGRR.

Section 2(3.9) of the GGRR reads:

(3.9) The volume referred to in subsection (3.8) (b) does not include renewable natural gas acquired by the public utility that the public utility provides to a customer in accordance with a rate under which the full cost of the following is recovered from the customer:

- (a) the acquisition of the renewable natural gas;
- (b) the service related to the provision of the renewable natural gas.