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October 30, 2023

British Columbia Utilities Commission
Suite 410, 900 Howe Street
Vancouver, BC
V6Z 2N3

Attention: Patrick Wruck, Commission Secretary

Dear Patrick Wruck:

Re: FortisBC Energy Inc. (FEI)
Regional Gas Supply Diversity (RGSD) Project Development Account
Quarterly Progress Report No. 4 for the Period from July 1, 2023 to September 30, 2023 in Compliance with British Columbia Utilities Commission (BCUC) Order G-253-22

In compliance with BCUC Order G-253-22, dated September 14, 2022, granting approval, pursuant to section 60(1)(b) of the *Utilities Commission Act* (UCA), for the RGSD Project Development Account. Directive 2 of Order G-253-22 directed FEI as follows:

FEI is directed to file quarterly progress reports to the BCUC on work completed, anticipated work, and material developments on the potential RGSD Project, starting with the fourth quarter ending December 31, 2022, by no later than 30 days after the date of the quarter end.

Attached is the fourth Quarterly Progress Report for the RGSD Project, which covers the period from July 1, 2023 to September 30, 2023.

If further information is required, please contact the undersigned.

Sincerely,

FORTISBC ENERGY INC.

Original signed:

Sarah Walsh

Attachments



FORTISBC ENERGY INC.

Regional Gas Supply Diversity Project

**Quarterly Progress Report for the Period
July 1, 2023 to September 30, 2023**

**Submitted to the
British Columbia Utilities Commission**

October 30, 2023

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1. PROJECT BACKGROUND

1.1 PROJECT BACKGROUND

On June 1, 2022, pursuant to sections 59 to 61 of the *Utilities Commission Act* (UCA), FortisBC Energy Inc. (FEI) filed an application (RGSD Application) with the British Columbia Utilities Commission (BCUC), for approval of a new non-rate base deferral account called the Regional Gas Supply Diversity (RGSD) Development Account, to capture actual development costs incurred for a potential RGSD Project (Project). In the Application, FEI proposed to file quarterly progress reports to the BCUC on work completed, anticipated work, and material developments, starting with the quarter ending at least three months after the BCUC's decision on the Application.

On September 14, 2022, the BCUC issued Order G-253-22 granting approval to establish the RGSD Development Account, a non-rate base deferral account attracting FEI's WACC return, to capture actual development costs incurred with respect to the potential RGSD Project, with disposition of the deferral account balance to be determined in a future proceeding.

Order G-253-22 directed FEI to provide Quarterly Progress Reports to the BCUC on work completed, anticipated work, and material developments on the potential RGSD Project, starting with the fourth quarter ending December 31, 2022, by no later than 30 days after the date of the quarter end. Order G-253-22 further directed that in lieu of the July 2023 quarterly report, FEI was to provide the update in the Annual Review for 2024 Delivery Rates process, including an update of costs incurred to date and a proposal for the method and timing of the recovery of those incurred costs. FEI provided the requested information in the Annual Review for 2024 Delivery Rates application. With regard to a method and timing of cost recovery, FEI stated that it considers it most appropriate to file for recovery of the RGSD Project development costs in a future application, either in a separate application or in a future annual review (or revenue requirement) application, depending on timing. The Annual Review for 2024 Delivery Rates proceeding is still ongoing at the time of filing this fourth Quarterly Progress Report.

This is the fourth Quarterly Progress Report for the Project (Report) which covers the period July 1, 2023 to September 30, 2023.

2. PROJECT DEVELOPMENT UPDATE, WORK COMPLETED AND COSTS INCURRED TO DATE

2.1 PROJECT DEVELOPMENT WORK COMPLETED IN THIS PERIOD

In Q3 of 2023 the Project development work focused on screening analysis and activities as discussed below:

- FEI engaged external consultants and internal resources to initiate environmental, archaeological and technical work on all sub-variants of the RGSD Project;
- FEI engaged external consultants to develop a strategic approach to project team development and project implementation;
- FEI completed all three risk workshops to identify key risks and opportunities to inform a project risk register; and
- FEI continued to provide information on the Project to First Nations through meetings and other communications and identified next steps for further engagement.

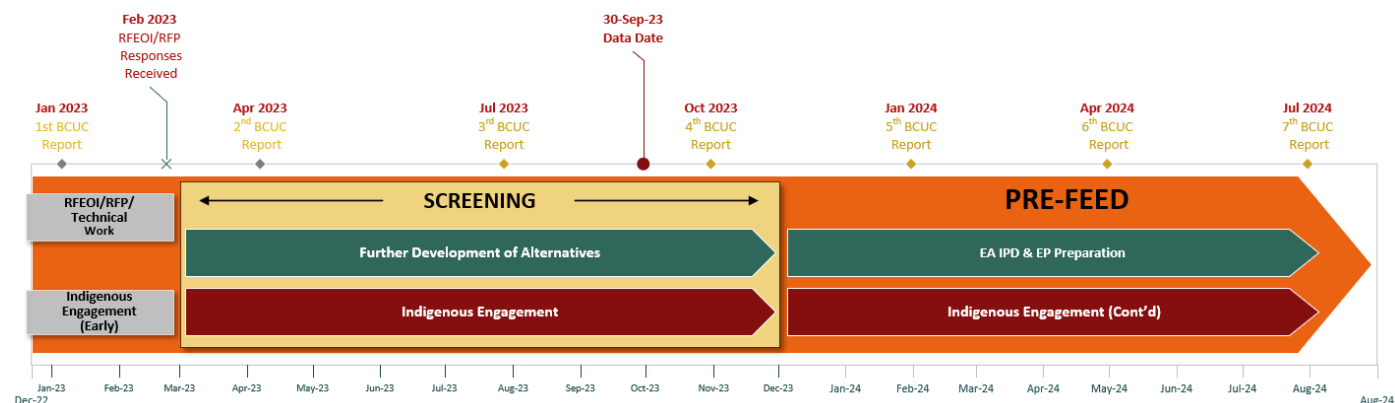
2.1.1 Project Schedule Summary

Table 2-1 below provides a summary of development activities that have been completed and are in progress to the end of Q3 2023. FEI has engaged with engineering, environmental, archeological, and external relations consultants to complete the screening analysis and to advance the Project to the point where FEI can decide which sub-variants of the RGSD Project need to be further evaluated for Pre-FEED. FEI's preliminary Project Pre-FEED activities timeline (Figure 2-1 below) remains on track and the Company plans to update the overall Project schedule in subsequent reports after the completion of the screening analysis, which is anticipated to be completed by the end of 2023.

Table 2-1: Status of Project Development Activities

Activities	Status
Advance Indigenous Nations engagement and stakeholder consultation efforts	In Progress
Advance screening analysis for all three RGSD sub-variations	In Progress
Advance commercial discussions with prospective shippers for potential capacity on RGSD Project pipeline	In Progress
Develop Project Risk Register	Completed

Figure 2-1: Preliminary RGSD Project's Pre-FEED Activities Timeline



2.1.2 Project Development Costs Incurred to Date

As discussed in its third quarterly progress report (filed as Appendix C to the FEI Annual Review for 2024 Delivery Rates application), FEI has used a measured, prudent and diligent approach in progressing the initial phases of the Project development work completed to date to evaluate the RGSD Project and its sub-variants. As of the end of Q3 2023, FEI has spent a total of \$3.65 million excluding AFUDC and including taxes. Table 2-2 summarizes the development costs on an annual and a project phase gate basis.

Table 2-2: Project Development Cost Summary

Annual Cost Summary			
2021	2022	2023	Total Cost
\$0.47 million	\$1.43 million	\$1.75 million	\$3.65 million
Phase Gate Cost Summary			
Preliminary and Conceptual Phase (Pre-Phase 1) Nov 2021 to Sep 2022	Screening and Pre-FEED Phase (Phase 1) Oct 2022 – Sep 2023		Total Cost
\$1.40 million	\$2.25 million		\$3.65 million

3. ANTICIPATED PROJECT DEVELOPMENT WORK

3.1 ANTICIPATED WORK PLANNED FOR NEXT PERIOD

The next quarterly reporting period will cover the period from October 1, 2023 to December 31, 2023, and FEI anticipates that the following activities will be completed and developed during the next quarterly reporting period.

Screening Analysis

FEI plans to complete its comprehensive screening analysis to evaluate all options prior to initiating further Pre-FEED work. For this stage of project development, FEI will continue to advance and complete its screening analysis to include the alternative delivery points described in Section 4.1.2 of the RGSD Application, namely T-South tie ins to Kingsvale and Hope.

The screening analysis will consist of multifunctional assessments of each of the delivery options and will seek to bring into focus option(s) that would be viable candidate(s) for further consideration. The work covered under this assessment will be comprised of but not be limited to: pipeline engineering, environmental, regulatory, stakeholder and Indigenous engagement, risk, construction, scheduling and cost estimating activities.

In addition, with the introduction of the Province's plan related to GHG emissions reductions, all options require a carbon footprint assessment, plan and schedule to achieve net zero. FEI has already advanced this work during Q3 of 2023 and plans to complete it by the end of 2023. The results of this work will be used to assist in the selection of the option(s) to be considered in the Pre-FEED work to follow.

Indigenous Engagement

Indigenous engagement is a priority for advancing this Project and FEI will maintain dialogue with the Indigenous Nations affected. Engagement will continue to focus on FEI having conversations with First Nations to discuss interests and opportunities, setting up mutually agreed upon pre-application engagement processes with First Nations, and continuing engagement according to those plans.

In the last quarter, normal Indigenous Relations interactions with Nations continued but the Project team primarily concentrated on completing the screening analysis. Engagement with First Nations was challenged by the wildfire situation in the Project area as a number of the communities that FEI engages with were negatively impacted and disrupted during the quarter. FEI met with the Nlaka'pamux Nation Tribal Council and Seabird Island Band. Both meetings were positive and commitments to meet again were agreed upon. The Project team will continue to meet with Nations in person as their schedules open up.

Public Consultation

FEI plans to commence engagement with local governments and communities, once the screening activities are developed, beginning with those most impacted by the Project.

Environment and Archaeology

Environmental and archaeological consultants will finalize scoping and strategy documents for input into the screening analysis.

4. CONCLUSION

As discussed in this Report, FEI has advanced its screening analysis to evaluate all three sub variants of the RGSD Project. The screening analysis remains on schedule and within the estimated Project development costs. During the next reporting period, FEI plans to complete the screening analysis, which includes multifunctional assessments of each of the delivery options to bring into focus option(s) that would be viable candidate(s) for further consideration to advance Pre-FEED work.