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January 30, 2024

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. 5 for the Period from October 1, 2023 to December 31, 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 fifth Quarterly Progress Report for the RGSD Project, which covers the period from October 1, 2023 to December 31, 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
October 1, 2023 to December 31, 2023**

**Submitted to the
British Columbia Utilities Commission**

January 30, 2024

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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).

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 weighted average cost of capital (WACC), 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.

This is the fifth Quarterly Progress Report for the Project (Report) which covers the period October 1, 2023 to December 31, 2023.

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

2.1 PROJECT DEVELOPMENT WORK COMPLETED IN THIS PERIOD

In Q4 2023, the Project development work focused on screening analysis and activities as discussed below:

- FEI engaged and worked with external consultants and internal resources to complete environmental, archaeological and technical work on all sub-variants of the RGSD Project.
- FEI project team progressed its screening analysis to evaluate three routing options prior to initiating further Pre-FEED work on the RGSD Project and has advanced assurance reviews of the screening work to finalize screening analysis during Q1 2024.
 - **Option 1, Oliver to Huntingdon:** A new 239 km pipeline paralleling the existing FEI right of way (“ROW”) for the first 40 km and then a further 199 km in a new ROW.
 - **Option 2, Oliver to Hope:** A new 155 km pipeline, with the first 40 km paralleling the existing FEI ROW (similar to Option 1) and the final 115 km routed to Hope along a new ROW with tie ins to the Enbridge T-South system at Hope.
 - **Option 3, Oliver to Kingsvale:** A new 162 km pipeline paralleling existing FEI ROWs for most of the length with tie ins to the Enbridge T-South system at Kingsvale.

The scope of the screening analysis consisted of multifunctional assessments of each of the delivery options to include the alternative delivery points described in Section 4.1.2 of the RGSD Application to bring into focus option(s) that would be viable candidate(s) for further consideration in the Pre-FEED. The work covered under this screening assessment comprised of, but was not limited to, Hydraulic Analysis and Pipeline Engineering considerations, Environmental and Permitting considerations, Stakeholder and Indigenous Engagement considerations, Project risks and Construction, Scheduling, and Cost estimating activities. The screening stage work also included GHG emissions assessment of the three options, aimed at quantifying the emissions and outlining a preliminary path to emissions reductions.

The conclusions of the screening report will be summarized in the next quarterly report. Preliminary indications are that routing options that involve existing corridors and connect to Enbridge, in particularly Option 3, demonstrate more optimized use of regional infrastructure, lower costs and balance risks.

In conjunction with the screening work, FEI continued to monitor the Enbridge Sunrise project and natural gas markets. It has become increasingly clear that the scope of the RGSD Project,

including regional approaches to the Project, will likely not meet the timelines for some of the earlier market needs or avoid the Enbridge Sunrise project. The Enbridge Sunrise project has further developed and FEI believes it now has a higher probability of proceeding to meet short-term market needs. However, FEI believes that the Sunrise project in itself is insufficient to meet the market needs longer term, nor does FEI believe that the Sunrise project is scoped to meet the regional requirements, particularly given the ongoing infrastructure constraints. FEI also remains concerned with the strains on the regional gas infrastructure, and continues to be concerned about upstream pipeline tolls and the lack of supply diversity and resiliency.

2.1.1 Project Schedule Summary

In consideration of the developments discussed above, FEI will be making conclusions on the RGSD Project development work completed to date, including how FEI's development work will support options for a regional infrastructure solution with other market participants. This will likely mean concluding the existing RGSD Project development work and summarizing the scope of work for a regional solution. FEI will summarize the conclusions of the screening phase and will advise on the anticipated next steps in the next quarterly progress report.

2.1.2 Project Development Cost Summary

As discussed in its fourth quarterly progress report, FEI has taken 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 Q4 2023, FEI has spent a total of \$4.1 million excluding AFUDC and including taxes. Table 2-1 summarizes the development costs on an annual and a Project phase gate basis.

Table 2-1: Project Development Cost Summary

Annual Cost Summary			
2021	2022	2023	Total Cost
\$0.47 million	\$1.43 million	\$2.2 million	\$4.1 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 – Dec 2023		Total Cost
\$1.4 million	\$2.7 million		\$4.1 million

3. ANTICIPATED PROJECT DEVELOPMENT WORK

3.1 ANTICIPATED WORK PLANNED FOR NEXT PERIOD

The next quarterly reporting period will cover the period from January 1, 2024 to March 31, 2024. FEI will review and finalize its screening work during Q1 2024 and will summarize the conclusions of the screening phase and advise on the anticipated next steps in the next quarterly progress report.

4. CONCLUSION

FEI has completed its screening work to evaluate all three sub variants of the RGSD Project and is currently in the process of reviewing this internally. During the next reporting period, FEI plans to finalize the screening analysis. FEI will summarize the conclusions of the screening phase in the next quarterly report and will advise on the anticipated next steps.