



**Sarah Walsh**  
Director, Regulatory Affairs

**Gas Regulatory Affairs Correspondence**  
Email: [gas.regulatory.affairs@fortisbc.com](mailto:gas.regulatory.affairs@fortisbc.com)

**Electric Regulatory Affairs Correspondence**  
Email: [electricity.regulatory.affairs@fortisbc.com](mailto: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](http://www.fortisbc.com)

March 6, 2025

British Columbia Public Interest Advocacy Centre  
Suite 803 - 470 Granville Street  
Vancouver, B.C.  
V6C 1V5

Attention: Leigha Worth, Executive Director

Dear Leigha Worth:

**Re: FortisBC Energy Inc. (FEI)**

**Application for the Regional Gas Supply Diversity (RGSD) Development Account Cost Recovery (Application)**

**Response to the British Columbia Public Interest Advocacy Centre representing the British Columbia Old Age Pensioners' Organization, Active Support Against Poverty, Disability Alliance BC, Council of Senior Citizens' Organizations of BC, Together Against Poverty Society, and the Tenant Resource and Advisory Centre *et al.* (BCOAPO) Information Request (IR) No. 1**

---

On December 20, 2024, FEI filed the Application referenced above. In accordance with the regulatory timetable established in British Columbia Utilities Commission Order G-4-25 for the review of the Application, FEI respectfully submits the attached response to BCOAPO IR No. 1.

For convenience and efficiency, if FEI has provided an internet address for referenced reports instead of attaching the documents to its IR responses, FEI intends for the referenced documents to form part of its IR responses and the evidentiary record in this proceeding.

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) Application for the RGSD Development Account Cost Recovery (Application)	Submission Date: March 6, 2025
Response to BCOAPO Information Request (IR) No. 1	Page 1

**1.0 Reference: Exhibit B-1, Section 3.1, pages 6 to 10, Section 4.3, page 22**

**Topic: Recovery of RGSD Development Costs from Ratepayers**

**Preamble:**

FEI asserts that it was reasonable to investigate and develop the RGSD Project to determine whether it should be pursued and outlines the circumstances at the time of the RGSD development account application, which can be summarized as follows:

- Regional pipeline capacity (T-South) was fully contracted, leaving insufficient ability to accommodate any further load growth in the region;
- Regional demand was expected to increase with three key drivers including the Woodfire LNG project, general growth in regional demand and the emergence of renewable and low-carbon gas into the gas system;
- Enbridge had proposed the Sunrise Project which would expand the T-South system by 0.3 BCF per day to meet increased demand;
- FEI was concerned that its customers would incur significant additional costs to pay for the Sunrise Project due to the approved tolling structure but would see little, if any, benefits; and
- FEI's preliminary evaluation of the RGSD project was favourable, with a financial comparison showing that the RGSD and the Sun Rise Project were similar (\$5.3 to \$5.4 billion) and suggested it was a superior option to the Sunrise Project based on non-financial criteria (decarbonization and access to low carbon energy, pipeline system resiliency, regional capacity growth and future expandability). **(Exhibit B-1, Section 3.1, pages 6 to 10)**

FEI asserts that there is potential to explore a regional infrastructure solution with other market participants and that it expects the development work undertaken for the RGSD Project to date will be useful for informing future discussions. This new option, which would be a new project, would require co-commitments and support from other market participants. **(Exhibit B-1, Section 4.3, page 22)**

- 1.1** Please elaborate on the Utility's reasoning why it is appropriate for FEI to recover the RGSD Project development costs from its ratepayers as compared to the development costs being borne by FEI shareholders in whole or in part. Please ensure this response specifically considers the following factors and fully sets out FEI's reasoning or justification with references to them: FEI's potential return on investment in a pipeline with a cost in the order of \$5.3 billion (or a share thereof with other market participants) and the materiality of the requested recovery of the RGSD net development costs of \$3.749 million in comparison to FEI's total annual revenue requirement in the order of \$1.2 billion.

1 **Response:**

2 As discussed in the response to BCUC Staff IR1 1.2 in the Application for Approval of the RGSD  
3 Development Account proceeding,<sup>1</sup> the BCUC's determination as to whether the costs in the  
4 RGSD Development Account should be approved should be based on typical cost recovery  
5 considerations under sections 59 to 61 of the *Utilities Commission Act*, including:

- 6 a) the reasonableness of FEI's decision to initiate development work on the RGSD Project  
7 based on the information available to FEI at the time the Company initiated the work; and  
8 b) the reasonableness of the costs incurred in furtherance of that development work.

9 As explained in the Application and further discussed in the response to BCUC IR1 1.1, at the  
10 time that FEI sought approval from the BCUC to establish the RGSD Development Account, FEI  
11 anticipated that, in light of growing regional demand, its customers would end up underwriting a  
12 significant portion of a more costly T-South expansion (Enbridge's Sunrise Project) by virtue of  
13 FEI's large existing capacity holding on T-South and rolled-in tolls, but FEI customers would  
14 receive little benefit. Thus, FEI considered it to be in the best interest of customers to explore an  
15 alternative to Enbridge's Sunrise Project using the Southern Crossing Pipeline (SCP) (i.e., the  
16 RGSD Project). FEI's decision to initiate development work on the RGSD Project was, therefore,  
17 reasonable based on the circumstances at that time, as the RGSD Project had the potential to be  
18 less costly for FEI's customers than Enbridge's proposed project, while delivering other benefits  
19 as well.

20 With regard to the reasonableness of the costs incurred, FEI's actions and activities were  
21 measured and appropriately staged. As described in the response to BCUC IR1 3.1, undertaking  
22 the screening assessment was a prudent and necessary step which yielded important information  
23 on the three potential route options and contributed to FEI's decision to cease further work on the  
24 RGSD Project, thus ensuring that the development costs incurred were limited to approximately  
25 \$4.281 million. Please also refer to the response to BCUC IR1 2.3 for details on the costs related  
26 to Indigenous and community engagement, and the responses to BCUC IR1 2.1 and 2.2 for a  
27 discussion on the criticality of early engagement with Indigenous groups.

28 Accordingly, the prudence of the costs incurred should be based on the points discussed above,  
29 not on the potential for FEI to earn a return on investment in a pipeline or a comparison of the  
30 amount of costs to FEI's annual revenue requirement.

31  
32

33

34 1.2 Please provide a detailed explanation of which aspects of the RGSD Project  
35 development costs expended to March of 2024 will have an enduring value for  
36 future discussion with other market participants for a new project. As part of this

---

<sup>1</sup> Exhibit B-2, FEI Response to BCUC Staff IR1 1.2:  
[https://docs.bcuc.com/documents/proceedings/2022/doc\\_67029\\_b-2-fei-staff-ir1-resp.pdf](https://docs.bcuc.com/documents/proceedings/2022/doc_67029_b-2-fei-staff-ir1-resp.pdf).

FortisBC Energy Inc. (FEI or the Company) Application for the RGSD Development Account Cost Recovery (Application)	Submission Date: March 6, 2025
Response to BCOAPO Information Request (IR) No. 1	Page 3

response, please address the nature of the various types of development costs expended to date and whether the passage of time and consideration of a new project(s) with different market participants have or could result in the significant reduction of said value.

**Response:**

For clarity, FEI's basis for recovering the development costs associated with the RGSD Project is that they were essential to explore an alternative to Enbridge's Sunrise Project that would potentially be beneficial for customers. The test that the BCUC applies is, in essence, whether the costs were prudently incurred based on what was known or ought to have been known at the time (i.e., the prudence test). Cost recovery should not be determined based on hindsight (including whether the development costs will have an "enduring value"), which appears to be the premise of the question.

Table 4-3 of the Application provides a summary of the activities and associated development costs expended to March 2024. As discussed in the response to BCUC IR1 1.1, while FEI cannot ascribe a specific financial value to the development work and the conclusions that the work yielded, the work had to be undertaken. In particular, it was necessary to investigate the potential for an alternative regional pipeline solution that might avoid the costs associated with expanding the capacity of T-South and/or provide other readily apparent benefits (e.g., diversity of supply, resiliency).

Further, had FEI not undertaken the development work completed for the RGSD Project, there would not be any basis for FEI to collaborate with other regional market participants on a potential integrated solution.

FortisBC Energy Inc. (FEI or the Company) Application for the RGSD Development Account Cost Recovery (Application)	Submission Date: March 6, 2025
Response to BCOAPO Information Request (IR) No. 1	Page 4

**2.0 Reference: Exhibit B-1, Section 2, page 5, Section 3.2.2 and 3.2.3, page 13 and Section 4.2, Table 4-3, page 16**

**Topic: RGSD Development Expenditures to be Recovered**

**Preamble:**

FEI indicates that it expended \$1.4 million of RGSD Project development costs between November 2021 to September 2022 and an additional \$2.88 million between October 2022 to March 2024, for total expenditures of \$4.28 million before income tax recovery. **(Exhibit B-1, Section 4.2, Table 4-3, page 16)**

FEI filed its application with the BCUC for approval of the RGSD Project Development Account on June 1, 2022 and received approval to establish the deferral account from the BCUC on September 14, 2022. **(Exhibit B-1, Section 2, page 5)**

FEI indicates that since it filed the RGSD Account Application, Enbridge continued to develop their Sunrise Project, and on November 4, 2022, Enbridge announced that its open season was fully subscribed by shippers. FEI asserts that while the outcome of the Sunrise Project open season confirmed strong support from market participants and while binding, it did not rule out the potential for an alternate commercial solution. FEI also asserts that Enbridge was at the very early stages of its project development, having not yet progressed environmental, geotechnical or indigenous engagement – which allowed an opportunity to evaluate project alternatives. **(Exhibit B-1, Section 3.2.2, page 13)**

FEI indicates that Enbridge filed its Sunrise Expansion Program Project Description with the Canadian Energy Regulator (CER) on January 20, 2024 and filed the CPCN with the CER on May 31, 2024. FEI indicates that these advances increased the probability that the Sunrise Project could meet short-term market needs and in combination with the slower timeline for the RGSD Project made Enbridge's competing project the clear market "front-runner". FEI outlines that as discussed in the Q1 2024 Report (April 30, 2024) to the BCUC, it had become increasingly clear that the scope of the RGSD Project would not likely meet the timelines for some of the near-term market needs or avoid the Sunrise Project. These circumstances as well as its investigations and screening assessment informed FEI's decision not to proceed with the RGSD Project. **(Exhibit B-1, Sections 3.2.2 and 3.2.3, page 13)**

**2.1** Please provide the amount of cumulative RGSD Project development costs expended to May 31, 2022; and the amount of cumulative RGSD Project development costs expended to August 31, 2022.

**Response:**

FEI cumulatively spent \$1.048 million to May 31, 2022 and \$1.326 million to August 31, 2022.

2.2 Please provide a full justification explaining why it is appropriate for the BCUC to allow FEI to recover RGSD Project development costs expended prior to the June 1, 2022 filing of the FEI application requesting the establishment of the RGSD Project development account as well as a full description of the mechanism upon which this Panel might be able to legally approve said recovery.

**Response:**

As shown in Table 4-3 of the Application, the work completed during the period of Pre-Phase 1 is significant and important for the subsequent development work that occurred during the Phase 1 period.

It is typical (and generally necessary) to incur pre-development and application costs prior to a regulatory application being filed. A primary example is that, prior to filing a CPCN application, FEI must investigate alternatives to a proposed project to a Class 4 level of accuracy and present its proposed project alternative at a Class 3 level of accuracy. The investigative work and costs required to prepare the reports and analysis, which are required by the BCUC's CPCN Guidelines, including engagement with Indigenous communities, take many months to complete. Instead of filing for a deferral account for these costs at the time that a project is identified, FEI typically files for the pre-development and application costs deferral account at the same time that it files the CPCN application. This approach is efficient as it avoids multiple applications to the BCUC.

Rejecting recovery of costs incurred only based on the filing date of the application for a regulatory account without consideration of whether the costs were necessary or reasonable for the purpose of the application or the project is therefore inconsistent with the treatment approved by the BCUC for pre-development and application costs incurred prior to the filing of the application in past projects, including the following:

- **FEI's Advanced Metering Infrastructure (AMI) CPCN Project.** In the BCUC's Decision and Order C-2-23 approving the AMI Project, the BCUC approved the recovery of the AMI Application and Feasibility Cost deferral account with a three-year amortization period. As explained in the AMI CPCN proceeding,<sup>2</sup> FEI had started to develop the AMI Project and incurred associated costs in 2015 which was prior to the filing date of the AMI CPCN Project application on May 5, 2021.
- **FEI's Pattullo Gas Line Replacement (PGR) CPCN Project.** In the BCUC's Decision and Order C-2-21 approving the PGR CPCN Project, the BCUC approved the recovery of the Application and Preliminary Stage Development Costs deferral account with a three-year amortization period. As explained in the PGR CPCN proceeding,<sup>3</sup> the project development costs recorded in the deferral account included actual costs incurred by FEI

<sup>2</sup> Exhibit B-6, BCUC IR1 27.1.

<sup>3</sup> Exhibit B-6, BCUC IR1 17.1.

FortisBC Energy Inc. (FEI or the Company) Application for the RGSD Development Account Cost Recovery (Application)	Submission Date: March 6, 2025
Response to BCOAPO Information Request (IR) No. 1	Page 6

up to January 31, 2020, which was prior to the filing date of the PGR CPCN Project application on August 31, 2020.

- **FEI's Inland Gas Upgrades (IGU) CPCN Project.** In the BCUC's Decision and Order G-12-20 approving the IGU CPCN Project, the BCUC approved the recovery of the Application and Preliminary Stage Development Costs deferral account with a three-year amortization period. As explained in the IGU CPCN application, the project development costs recorded in the deferral account included actual costs incurred by FEI prior to the filing date of the IGU CPCN Project application on December 17, 2018.

2.3 Please provide the amount of cumulative RGSD Project development costs expended to November 30, 2022 and a detailed explanation why FEI's assessment in November of 2022 concluded that the binding and full open season subscription by shippers related to the Sunrise Project did not rule out the potential for an alternate commercial solution such as the RGSD Project.

**Response:**

FEI cumulatively spent \$1.7 million on development work for the RGSD Project to November 30, 2022.

The purpose of the open season was to confirm market support for an expansion of pipeline capacity and its results did not preclude alternate commercial solutions, such as the RGSD Project, to meet demand growth. As explained in Section 3.1.3 of the Application, in order for the expansion to proceed, Enbridge would need to garner all regulatory and permitting approvals; thus, the Sunrise Project was at an early stage of development. Further, FEI and other shippers would have an opportunity to intervene in any CER process, and present any viable alternatives. FEI had concerns about the Sunrise Project, including its costs and lack of benefits for FEI customers, and considered that the RGSD Project could be built to a capacity that would better meet market needs at a similar cost while providing additional benefits to its customers.<sup>4</sup>

2.4 Please provide a detailed explanation why FEI's assessment in November of 2022 concluded that Enbridge was at the very early stages of project development related to the Sunrise Project. In this response, please ensure that the following is both considered as part of the context as well and specifically considered: Enbridge was able to file its Sunrise Expansion Program Project Description with CER on January 20, 2024 and filed the CPCN with CER on May 31, 2024,

<sup>4</sup> Exhibit B-1, Application, Section 3.1.5.

FortisBC Energy Inc. (FEI or the Company) Application for the RGSD Development Account Cost Recovery (Application)	Submission Date: March 6, 2025
Response to BCOAPO Information Request (IR) No. 1	Page 7

1 approximately 13 months and 17 months, after the November 4, 2022 Enbridge  
2 announcement that its open season on the Sunrise Project was fully subscribed  
3 by shippers,  
4

5 **Response:**

6 FEI's assessment that Enbridge's Sunrise Project was at the very early stages of project  
7 development in November 2022 is accurate. Enbridge had not yet progressed environmental,  
8 geotechnical or Indigenous engagement work, nor had it garnered or made applications for  
9 regulatory and permitting approvals. The timing for filing the Project Description and CPCN for  
10 the Sunrise Project is consistent with its standard timeline to assess and complete development  
11 work on capital projects of this kind. For example, FEI understands that the CER requirements  
12 allow for the filing of cost estimates at only a Class 5 level of definition.

13 Further, as discussed in the response to BCOAPO IR1 2.3, the outcome of the open season for  
14 the Sunrise Project, while binding, did not rule out the potential for an alternative commercial  
15 solution that involved meeting the commitments of the open season through an alternative build  
16 such as the RGSD Project. However, as discussed in Section 3.2.2 of the Application, Enbridge's  
17 advances coupled with slower RGSD Project timelines increased the probability that the Sunrise  
18 Project was the clear market "front runner", and FEI appropriately ceased development activities.

19



FortisBC Energy Inc. (FEI or the Company) Application for the RGSD Development Account Cost Recovery (Application)	Submission Date: March 6, 2025
Response to BCOAPO Information Request (IR) No. 1	Page 8

**3.0 Reference: Exhibit B-1, Section 5.2, pages 23 and 24**

**Topic: FEI's Proposed Disposition of the RGSD Development  
Account Balance**

**Preamble:**

FEI is proposing that the RGSD Project development account costs (net of income tax recovery) of \$3.749 million: (i) be transferred to rate base on January 1, 2026; and (ii) be amortized into rates over a 3-year period, commencing on January 1, 2026. FEI indicates that it considered amortization periods from 1 to 5 years, but ultimately assessed that a 3-year amortization period was the most reasonable considering that: (i) a 4 to 5 year amortization period is unnecessarily long considering the size of the deferral account balance and better addressed intergenerational equity considering the passage of time since costs were first spent in 2021; and (ii) the 3-year period aligns well with the length of time the deferral account was active (mid-2021 to mid-2024). **(Exhibit B-1, Section 5.2, pages 23 and 24)**

3.1 Further to BCUC information requests 5.1 and 5.2, please explain how FEI justifies its proposal to transfer the RGSD Project development deferred costs to rate base where it will earn a weighted average cost of capital (WACC) return while being amortized into rates. Please ensure this response takes into consideration and specifically considers that there is and will be no underlying asset built and none is or has been contemplated and why a weighted average cost of debt (WACD) would not be a more appropriate for carrying costs given the circumstances.

**Response:**

Please refer to the responses to BCUC IR1 5.1 and BCUC IR1 5.2.

3.2 Please further explain why and how FEI determined a 4 to 5-year amortization period is unnecessarily long and that there would be significantly more concern regarding intergeneration equity if that \$3.749 million was amortized over that 4 to 5-years as opposed to the applied-for 3.

**Response:**

FEI did not state in the Application that there would be "significantly more concern" regarding intergenerational inequity. FEI instead stated that an amortization period of four or five years was unnecessarily long when considering the differences in rate impacts between three, four and five years, and that a shorter amortization better addresses intergenerational inequity issues.

FortisBC Energy Inc. (FEI or the Company) Application for the RGSD Development Account Cost Recovery (Application)	Submission Date: March 6, 2025
Response to BCOAPO Information Request (IR) No. 1	Page 9

Given the costs were first incurred in 2021, a five-year amortization period would result in a nine-year passage of time until the RGSD development costs are fully recovered (i.e., from 2021 to 2030, with amortization of the deferral account commencing in 2026).

As discussed in the Application, FEI considers that a three-year amortization period provides an appropriate balance between minimizing the immediate delivery rate impact (as opposed to shorter amortization periods such as one or two years) and minimizing the passage of time from when the RGSD development costs were first incurred to when the costs would be fully recovered. As shown in Table 5-2 of the Application (and in the revised version of Table 5-2 in the response to BCUC IR1 4.1), the difference in delivery rate impact between a three-year and five-year amortization period is only 0.06 percent. As such, on balance, FEI considers its proposed three-year amortization to achieve the best balance between rate impact and intergenerational inequity.

3.3 Please explain why the length of the time that the deferral account was active is an important or material consideration with respect to the appropriate amortization period for the development account.

**Response:**

The length of time that a deferral account remains active is a consideration that is required under the BCUC's Regulatory Account Filing Guidelines<sup>5</sup> (Guidelines). According to items II, IV d), and IX of the Guidelines, FEI needs to consider the following:

II. Propose a term (i.e., length of time) that the regulatory account should be approved for and explain why that term is appropriate.

IV. d) Address any impact on intergenerational equity (note that this item is linked to the proposed timeline for recovery which is further outlined in item IX below).

IX. Propose a timeline for recovery (e.g., the period over which the regulatory account balance is either collected or refunded; also referred to as the amortization period) and explain why it is appropriate.

The length of time that a deferral account remains active is directly related to all three of the considerations above and will impact the proposed amortization period. These considerations are applicable to all deferral account requests.

Please also refer to the response to BCOAPO IR1 3.2 for a discussion regarding the appropriate amortization period.

<sup>5</sup> <https://docs.bcuc.com/documents/Guidelines/Regulatory-Account-Filing-Guidelines.pdf>.

FortisBC Energy Inc. (FEI or the Company) Application for the RGSD Development Account Cost Recovery (Application)	Submission Date: March 6, 2025
Response to BCOAPO Information Request (IR) No. 1	Page 10

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12

3.4 Please explain the basis upon which FEI relies to justify that its regulator might find that the length of time all projects’ deferral account was active (i.e., collecting costs) a relevant or material consideration when determining the appropriate amortization period for all projects’ costs? If not relevant for all projects, please specify under what circumstances this is a material and persuasive consideration.

**Response:**

Please refer to the response to BCOAPO IR1 3.3.