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March 6, 2025

Commercial Energy Consumers Association of British Columbia
c/o Owen Bird Law Corporation
Vancouver Centre II
2900 – 733 Seymour Street
Vancouver, BC
V6B 0S6

Attention: Christopher P. Weafer

Dear Christopher P. Weafer:

Re: FortisBC Energy Inc. (FEI)

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

Response to the Commercial Energy Consumers Association of British Columbia (CEC) 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 CEC 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

1. Reference: Exhibit B1- Page 3

1.1 Would the Southern Crossing Pipeline Expansion Project have assisted FEI with enhancing its Coastal Transmission System resilience issues?

Response:

As discussed in Section 5.6 of Appendix C to the Tilbury Liquefied Natural Gas (LNG) Storage Expansion (TLSE) Project CPCN Supplemental Evidence (Exhibit B-60),[1] the RGSD Project or any regional pipeline infrastructure solution involving the expansion of the Southern Crossing Pipeline (SCP) would be complementary to, but not a replacement for, the proposed TLSE Project from a resiliency perspective.

The RGSD Project would not have been a replacement for the TLSE Project because it would not prevent a widespread customer outage in the Lower Mainland on the first day following a winter T-South no-flow event. This is because, firstly, a pipeline from Oliver to Kingsvale would not eliminate single point of failure risk on T-South between Kingsvale and the Lower Mainland.

Secondly, even if an outage occurred upstream of an expanded SCP, gas deliveries to the Lower Mainland from the SCP would not occur in time to maintain pressure following a T-South no-flow event; therefore, avoiding a widespread outage on the first day of a winter T-South no-flow event would require new on-system LNG in the Lower Mainland (i.e., the TLSE Project) to bridge that initial period until FEI can obtain more gas from the SCP.

If sufficient new on-system LNG is in place to bridge the initial period until FEI can access gas on the SCP, then an SCP expansion could assist in FEI's efforts to recover from a supply disruption, reducing the consequences (and hence overall risk) of a winter T-South no-flow event – which, as confirmed by the analysis in FEI's 2024 Resiliency Plan (filed as Exhibit B-61[2] in the FEI TLSE Project CPCN proceeding), represents FEI's single largest customer outage risk.

[1] https://docs.bcuc.com/documents/proceedings/2024/doc_78972_b-60-fei-supplemental-evidence-public.pdf.

[2] https://docs.bcuc.com/documents/proceedings/2024/doc_78974_b-61-fei-2024gassystemresiliencyplan-redacted-public-web.pdf.

2. Reference: Exhibit B1 – Page 3

2.1 Please explain further the challenges FEI saw in continuing the Project.

Response:

Early discussions with Indigenous groups revealed that constructing a greenfield pipeline to the Lower Mainland (i.e., Option 1 – Oliver to Huntingdon and Option 2 – Oliver to Hope) involved significant challenges and risks, especially in identifying a viable route that would gain their support. This led FEI to further explore the Option 3 route from Oliver to Kingsvale, which required co-commitments and support from other market participants that went beyond the scope of the RGSD Project. FEI, therefore, ceased development work on the RGSD Project in Q1 of 2024. Please also refer to the response to BCUC IR1 1.1.

3. Reference: Exhibit B1 – Page 4

3.1 Please provide the size of the Project Capital expenditures estimated for the Sunrise Project (potentially $2.5 billion) and compare the percentage of the FEI $3.749 million expenditure to this Project's expected costs as a means of demonstrating the magnitude of investigation costs versus eventual costs of winning alternatives.

Response:

As of late 2023, the cost of Enbridge's Sunrise Project had risen to approximately $4.0 billion (see Section 3.2.2 of the Application). The $3.749 million in project development costs incurred for the RGSD Project represent 0.094 percent of the expected cost of the Sunrise Project, which is small in comparison to the amount that FEI customers would have to pay in increased tolls each year.

4. Reference: Exhibit B-1, Page 6

4.1 Please compare an estimate of the Sunrise Project capital costs to those expected in the event that the FEI Southern Crossing pipeline might have proven advantageous.

Response:

As explained in Section 3.1.5 of the Application, FEI's preliminary analysis concluded that the RGSD Project would have a similar cost impact on FEI's gas cost portfolio as Enbridge's Sunrise Project but would be the most beneficial option in consideration of non-financial criteria. FEI assessed the following sizing scenarios:

- An expansion of 0.45 Bcf per day (i.e., an expansion that FEI believed was sufficient to address regional demand) was projected to be $5.3 billion for the RGSD Project and $5.4 billion for the Sunrise Project.
- An expansion of 0.3 Bcf per day was projected to cost $4.4 billion for the RGSD Project and $3.6 billion for the Sunrise Project.

As of late 2023, Enbridge had increased its cost estimate to approximately $4 billion for an expansion of 0.3 Bcf per day.

5. Reference: Exhibit B-1, Page 8

5.1 Please comment on the stage of development of the Woodfibre LNG project and the likelihood it will proceed to completion and operation as a means of demonstrating that the foreseen needs have been progressing somewhat as expected, proving need value.

Response:

According to publicly available information, the construction of the Woodfibre LNG project began in 2023 and is expected to be substantially completed in 2027.[3]

FEI's Eagle Mountain Woodfibre Gas Pipeline Project (EGP Project), which commenced construction in August 2023 and will supply natural gas to the Woodfibre LNG project, also remains on-track to be in-service prior to the Woodfibre LNG project. More information regarding the EGP Project can be found on the FortisBC website.[4]

[3] https://woodfibrelng.ca/construction/.

[4] Eagle Mountain-Woodfibre Gas Pipeline Project | Talking Energy.

6. Reference: Exhibit B-1, Page 11

6.1 Please discuss the supply prices at Sumas and potential volatility of gas prices and the potential for additional capacity to enable moderation of the volatility and whether this remains an issue for FEI on an ongoing basis.

Response:

The primary reason for higher commodity prices and increased pricing volatility is that the regional pipeline capacity, which provides long duration gas supply in the winter, is currently significantly constrained. FEI believes that the market requires incremental pipeline capacity to meet regional demand beyond the 300 MMcf/d expansion that the Sunrise Project will provide when it is placed into service in 2028. As the Sunrise Project will only replace T-South capacity that will be used to provide supply to Woodfibre LNG (WLNG), current pricing volatility will remain after 2028. Price volatility may be particularly acute in the winter of 2027/28 as WLNG will be operating but the Sunrise Project will not yet have been placed into service. FEI does not foresee a future decrease in regional demand to avoid this price volatility.

Further, the duration of gas supply provided by pipelines cannot be substituted by storage located on system or in the market centers. On system and market area storage resources (e.g., Mist or Jackson Prairie) provide short duration supplementary gas supply to manage higher demand driven by cold or extreme winter weather events but cannot be relied upon as a baseload supply source spanning over many days or weeks. If depleted early in the winter season, storage inventory requires pipeline capacity to replenish which is the same capacity that is needed to serve winter loads.

Adding to the challenge, power generation in the US Pacific Northwest and western North America are expected to remain strong for the foreseeable future. Natural gas-fired generation has increased in these regions in recent years, elongating natural gas requirements across the year such that baseload use now includes a large portion of the winter months. This increased demand, in conjunction with existing heating customer loads in the region, has resulted in higher commodity prices and increased price volatility at Huntington/Sumas and other market hubs in western North America.

Ultimately, the impact of increased demand, including demand driven by natural gas-fired generation load, on commodity prices and price volatility at Huntingdon/Sumas will remain until additional regional capacity beyond the initial Sunrise Project is constructed and will be influenced by: (1) the type and sizing of the incremental capacity; and (2) how demand continues to change in the future.

Regarding price volatility for FEI's core customers, FEI's current total pipeline capacity allows it to meet its core market's needs by purchasing gas at Station 2 and AECO, which are not affected by the volatility at Sumas on most occasions. However, the core market could be impacted should FEI experience any material shortfall over time in available contractible pipeline capacity or other resources changes, as could happen if FEI's overall demand flows and/or customer load profile changes over time. Over the past few years, FEI has experienced a material return of Transport

customers back to FEI's bundled model (which constitutes FEI's core load) due to the Sumas volatility and higher delivered cost of gas to Sumas. As a result, FEI's total pipeline capacity utilization increased in order to supply the returning commercial and industrial customers' load requirements. FEI's customers that currently remain in the Transport business model and reliant on purchasing Sumas priced winter supply will be subject to continued price volatility and higher priced Sumas gas, which is a significant concern given the timeline to develop new pipeline capacity and other regional resources.

7. Reference: Exhibit B-1, Page 12

7.1 Please discuss the present issues with respect to Northwest Power Generation demand and the potential for this to impact natural gas prices and the relationship of this to the development of supply FEI may need to meet its demand.

Response:

Please refer to the response to CEC IR1 6.1.

8. Reference: Exhibit B-1, Page 13

8.1 Please discuss the timelines for a Southern Crossing Project versus the Sunrise Project and why this has a significant impact on the decision to stop work and recover the RGSD costs now.

Response:

FEI has assumed that the question's reference to the Southern Crossing Project refers to the RGSD Project.

As discussed in Section 3.2.2 of the Application, FEI continued its efforts on the RGSD Project even after the fully subscribed open season for Enbridge's Sunrise Project in late 2022. While the Sunrise Project open season was binding, it did not rule out the potential for an alternative commercial solution that involved meeting the commitments of the open season through an alternative build that would allow FEI to release T-South capacity to participating shippers. FEI conducted a screening assessment to determine if there was a build that could be in place by 2028 that would mean Enbridge could modify its Station 2 to Huntingdon build as proposed under its Sunrise Project. Moreover, 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. FEI's screening assessment, which was completed in Q1 of 2024 and is discussed in Progress Report No. 6, revealed that even with a brownfield build from Oliver to Kingsvale, the earliest possible completion date for the Oliver to Kingsvale section of the pipeline would be 2030. Advances in project development by Enbridge coupled with slower RGSD Project timelines increased the probability that the Sunrise Project was the clear market "front runner", and FEI appropriately ceased development activities.

9. Reference: Exhibit B-1, Page 22

9.1 Please discuss the value obtained from the RGSD project and its potential for providing enduring value for future consideration FEI may expect to face in coming years.

Response:

Please refer to the response to BCOAPO IR1 1.2.