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March 20, 2025

B.C. Sustainable Energy Association
c/o William J. Andrews, Barrister & Solicitor
70 Talbot Street
Guelph, ON
N1G 2E9

Attention: William J. Andrews

Dear William J. Andrews:

Re: FortisBC Energy Inc. (FEI)

Application for a Certificate of Public Convenience and Necessity (CPCN) for the Tilbury Liquefied Natural Gas Storage Expansion (TLSE) Project (Application)

Response to the B.C. Sustainable Energy Association (BCSEA) Information Request (IR) No. 5

On December 29, 2020, FEI filed the Application referenced above and on October 24, 2024, FEI filed its Supplemental Evidence to the Application. In accordance with the regulatory timetable established in British Columbia Utilities Commission Order G-324-24 for the review of the Application, FEI respectfully submits the attached response to BCSEA IR No. 5.

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 Intervenors

FortisBC Energy Inc. (FEI or the Company) Application for a CPCN for the TLSE Project (Application)	Submission Date: March 20, 2025
Response to BCSEA Information Request (IR) No. 5	Page 1

21.0 Topic: 2024 Gas System Resiliency Plan

Reference: Exhibit B-61

In [Decision and Order G-78-24](#), the BCUC accepted FEI's 2022 Long Term Gas Resource Plan under section 44.1 of the UCA but rejected the initial version of FEI's Gas System Resiliency Plan as a component of the 2022 LTGRP. The Panel said in that decision that "FEI has committed to preparing a new Resiliency Plan that will include a more comprehensive and robust analysis, and it intends to include the latest version of its resiliency plan in future LTGRPs for BCUC review." [pdf p.4]

21.1 Is FEI seeking BCUC acceptance of the 2024 Gas System Resiliency Plan under section 44.1 of the UCA in the current proceeding? If not, how does FEI see an un-accepted Resiliency Plan supporting the TLSE Project?

Response:

FEI is filing the 2024 Resiliency Plan under section 44.1 of the *Utilities Commission Act* (UCA), as it is the next iteration of a directed component of the last long-term gas resource plan (i.e., the 2022 LTGRP). FEI had anticipated that the BCUC's formal review and acceptance of the 2024 Resiliency Plan under section 44.1 of the UCA might be deferred until the next LTGRP. However, given the extent of the review of the 2024 Resiliency Plan that is now occurring in this proceeding, FEI considers that a second review of the 2024 Resiliency Plan in the LTGRP process may be inefficient. As such, FEI would support the BCUC's acceptance of the 2024 Resiliency Plan pursuant to section 44.1 of the UCA as part of granting a CPCN for the TLSE Project.

Irrespective of whether it is formally accepted as part of this proceeding, FEI considers the 2024 Resiliency Plan to be very supportive of the TLSE Project. It provides the information that the BCUC's Decision and Order G-62-23 on the TLSE Project (Adjournment Decision) identified as being necessary.

In the Adjournment Decision, the BCUC stated the following:¹

Although FEI did not file a resiliency plan as part of this proceeding, it has filed a resiliency plan in the 2022 LTGRP proceeding. We have considered that plan as we are required to do pursuant to section 44.1 of the UCA, and find it falls short of what we need in this proceeding.

The BCUC then described the information that should be included in a future resiliency plan on page 48 of the Adjournment Decision.

In consideration of the BCUC's findings and commentary in the Adjournment Decision, FEI has developed the comprehensive 2024 Resiliency Plan over the course of many months and with significant input from independent experts. The 2024 Resiliency Plan goes well-beyond the previous iteration of the plan filed in the 2022 LTGRP and represents a holistic vulnerability

¹ Decision and Order G-62-23, p. 47.

FortisBC Energy Inc. (FEI or the Company) Application for a CPCN for the TLSE Project (Application)	Submission Date: March 20, 2025
Response to BCSEA Information Request (IR) No. 5	Page 2

assessment encompassing FEI's own system and regional infrastructure. In Section 2.3 of the Supplemental Evidence (and in particular Table 2-3), FEI describes in detail how the 2024 Resiliency Plan addresses each topic identified by the BCUC in the Adjournment Decision. Further, through the additional two rounds of information requests included as part of the current regulatory process to review the Supplemental Evidence, the BCUC and interveners have the opportunity to thoroughly test the evidence contained in the 2024 Resiliency Plan.

FEI says the 2024 Gas System Resiliency Plan "provides a sound basis for the BCUC to conclude that FEI is appropriately targeting its resiliency investments towards its highest risks." [pdf p.1, underline added]

21.2 Please describe the "resiliency investments" to which FEI is referring here. What are FEI's "resiliency investments"?

Response:

FEI's reference to "resiliency investments" in the preamble was only intended to refer to the TLSE Project. As explained in Sections 1.3 and 8 of the 2024 Resiliency Plan, while four other AVs (5, 47, 48, and 52) have been identified as warranting further investigation, FEI is not pursuing at this time any further investments where the primary driver is resiliency.

21.3 For each such resiliency investment, please describe the current status of project development/implementation, including BCUC approvals if applicable.

Response:

Please refer to the response to BCSEA IR5 21.2.

21.4 For greater certainty, does FEI assert that the 2024 Gas System Resiliency Plan supports "resiliency investments" in addition to the proposed TLSE Project and the approved Advanced Metering Initiative?

Response:

Please refer to the response to BCSEA IR5 21.2.

FortisBC Energy Inc. (FEI or the Company) Application for a CPCN for the TLSE Project (Application)	Submission Date: March 20, 2025
Response to BCSEA Information Request (IR) No. 5	Page 3

1 **22.0 Topic: Investments in LNG for Marine Fueling**

2 **Reference: Exhibit B-61, 2024 Gas System Resiliency Plan**

3 In [Decision and Order G-78-24](#), the BCUC accepted FEI's 2022 Long Term Gas Resource
4 Plan under section 44.1 of the UCA but rejected FEI's planned investments in LNG for
5 marine fueling (bunkering).

6 22.1 Please discuss whether and, if so, how the BCUC's rejection of FEI's planned
7 investments in LNG for marine fueling affects whether the TLSE Project is in the
8 public interest.

9
10 **Response:**

11 The TLSE Project is not intended to support marine fueling and instead is focused entirely on
12 providing a resilient source of energy during potential supply disruptions and to ensure the
13 continued benefit of providing a peaking gas supply for FEI's customers. Therefore, the BCUC's
14 comments regarding the LNG market in FEI's 2022 LTGRP do not impact the need or purpose of
15 the TLSE Project in any way, and have no bearing on the BCUC determining that the TLSE Project
16 is in the public interest.

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FortisBC Energy Inc. (FEI or the Company) Application for a CPCN for the TLSE Project (Application)	Submission Date: March 20, 2025
Response to BCSEA Information Request (IR) No. 5	Page 4

23.0 Topic: U.S. Threats

Reference: Exhibit B-60, Supplemental Evidence; Exhibit B-61, 2024 Gas System Resiliency Plan

The Supplemental Evidence and the 2024 Gas System Resiliency Plan predate the threats of import tariffs by U.S. President Trump and the possibility of Canadian responses. Neither document appears to address the impact of possible U.S. tariffs and Canadian responses.

23.1 Please identify and discuss how the potential impacts of new US import tariffs and Canada's response affect FEI's analysis of the TLSE Project.

Response:

At this point in the TLSE Project, it is too difficult to determine the extent to which any tariffs implemented by the United States and any counter tariffs that may be implemented by Canada may impact the cost of the Project. FEI would work with the successful contractor during the detailed design phase of the TLSE Project to develop a procurement strategy that would seek to mitigate the overall cost of materials, including the impact of any tariffs in place at the time. The procurement strategy would be developed based on a number of factors, including availability and location of materials, delivery times, and cost, all of which will influence the final procurement decisions. Finally, the actual procurement of materials for the TLSE Project will not occur until 2027 or later.

Therefore, it is currently too early and unclear to speculate what, if any, tariffs may be in place or any related impact on the procurement of materials for the TLSE Project. As with all major projects, FEI expects that the BCUC will require periodic project reporting through which FEI will provide updates on various aspects of the TLSE Project, including updates to the estimated project costs and schedule which will incorporate impacts, if any, from tariffs that either were or are in place at that time.

FEI also notes that, as explained in Section 6.4.5 of the Application, it is seeking approval of the TLSE Foreign Exchange (FX) Mark to Market deferral account, to capture the mark-to-market valuation of any foreign currency forward contracts entered into related to construction of the Project. As further explained in Section 6.4.5, the deferral account is an important tool to avoid uncontrollable external income statement volatility, as well as to avoid additional exposure to foreign currency exchange rate risk during the Project.

23.2 What is the status quo regarding U.S. import tariffs on natural gas in relation to FEI generally and the TLSE Project in particular?

FortisBC Energy Inc. (FEI or the Company) Application for a CPCN for the TLSE Project (Application)	Submission Date: March 20, 2025
Response to BCSEA Information Request (IR) No. 5	Page 5

1 **Response:**

2 At this time, there is a high degree of uncertainty surrounding United States tariffs or the potential
3 for Canadian counter tariffs on energy. Given the uncertainty of the situation and lack of specific
4 details on the tariffs that may be imposed or their potential duration, FEI can only speculate that,
5 regarding United States tariffs on natural gas imports, gas in-transit to and from the Jackson
6 Prairie and Mist storage facilities may be impacted. However, FEI does not expect that the impact,
7 if any, would be material given that the majority of FEI's gas remains on the Canadian side of the
8 border. FEI will continue to monitor the impacts of tariffs as the situation unfolds, but has no further
9 information on this matter until clear guidelines are provided on what the tariffs would be
10 applicable to.

11 The United States import tariffs will have no impact on the natural gas serving the TLSE Project,
12 given that the supply will be purchased at Station 2 in northeast BC, and will not be transported
13 to the United States.

14 FEI generally views the addition of on-system gas supply capabilities as net-positive in terms of
15 energy security for FEI customers, as it provides an FEI-controlled, readily available source of
16 supply that will be available irrespective of the cause of any supply constraint.

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20 23.3 Please discuss whether natural gas that FEI delivers to its customers passes
21 through the United States before it is delivered to FEI's customers.
22

23 **Response:**

24 The natural gas supply that is contractually associated with FEI's market area storage at Jackson
25 Prairie and Mist would be the only supply that may pass through the United States before it is
26 delivered to FEI's customers. Please refer to Section 3.5.4.3.1 of the Application for more details
27 as to how FEI accesses its supply from Jackson Prairie and Mist. At this time, it is unclear whether
28 gas supply obtained through commercial arrangements by displacement would be impacted by
29 any tariffs. The gas that may pass through the United States would represent a small portion
30 (approximately 3 percent) of FEI's total Core customer portfolio energy needs.

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34 23.4 Is FEI strategically vulnerable to potential interdiction by U.S. authorities of natural
35 gas from Canada that passes through the United States *en route* to FEI's
36 distribution system in Canada? Please compare this with potential U.S. interdiction
37 of light crude oil, light synthetic crude, and natural gas liquids on Enbridge Line 5
38 (in the U.S.) sourced from Canada and bound for Sarnia Ontario and points
39 eastward within Canada.

FortisBC Energy Inc. (FEI or the Company) Application for a CPCN for the TLSE Project (Application)	Submission Date: March 20, 2025
Response to BCSEA Information Request (IR) No. 5	Page 6

1

2 **Response:**

3 FEI is not aware of any potential interdiction by United States authorities of natural gas from
4 Canada that passes through the United States *enroute* to FEI's distribution system.

5 The vast majority of FEI's gas is procured and consumed on the Canadian side of the border and
6 does not pass through the United States. Please refer to the response to BCSEA IR5 23.2.

7 FEI considers a potential interdiction of FEI's natural gas by the United States government would
8 be an unrealistic scenario given that the North American natural gas marketplace, particularly in
9 the Pacific Northwest, is highly interconnected and dependent on Canadian gas. For example, in
10 a recent article published by News LLC, Dan Kirschner, CEO of the Northwest Natural Gas
11 Association was asked about the potential implications of United States tariffs on Canadian
12 natural gas. He noted that about two thirds of the natural gas consumed within the US Pacific
13 Northwest comes from Canada, and there is a lack of any viable alternative.²

14

² NewsData, LLC (Feb 4, 2025). "A Canadian Natural Gas Tariff Would Impact Every Hour of Every Day in PNW Power Markets." [A Canadian Natural Gas Tariff Would Impact Every Hour of Every Day in PNW Power Markets | Clearing It Up | newsdata.com](https://www.newsdata.com/news/a-canadian-natural-gas-tariff-would-impact-every-hour-of-every-day-in-pnw-power-markets-clearing-it-up).

24.0 Topic: Tilbury Phase 2 LNG Expansion Project

Reference: Exhibit B-60, Supplemental Evidence

24.1 What is the relationship between the TLSE Project and the Tilbury Phase 2 LNG Expansion Project?

Response:

The Tilbury Phase 2 LNG Expansion project includes two separate project components:

- The first component and primary purpose of the Phase 2 Expansion is to construct the TLSE Project (i.e., a 3 Bcf LNG storage tank and regasification³) in order to provide resiliency and gas supply support for FEI's customers.
- The second component is to construct, subject to market demand, additional liquefaction capacity of up to 2.5 million tonnes per annum (i.e., approximately 7,700 tonnes per day) in order to provide lower carbon fuels for hard to decarbonize sectors such as marine fueling, power generation and some industries.

FEI provides the following table which was provided in the response to BCSEA IR1 3.2 in this proceeding to further explain the relationship between the projects. As shown in the table, the regasification component of the TLSE Project is not part of the Environmental Assessment scope.

Element/Component	Description	Environmental Assessment Scope	TLSE CPCN Scope
Storage	3 Bcf (142,400 m3 working capacity)	Yes	Yes
Liquefaction	7,700 tpd	Yes	No
Regasification	800 MMcf per day	No	Yes

24.2 Does the Tilbury Phase 2 LNG Expansion Project currently require additional LNG storage capacity?

Response:

As discussed in the response to BCUC IR2 95.1, FEI's ability to contract out storage space at Tilbury would be dependent on FEI's own needs to serve its customers and BCUC oversight. FEI's rationale for the TLSE Project is not dependent on such an opportunity arising.

³ As noted in the table included in this response, the regasification component of the TLSE Project is not included within the Environmental Assessment scope.

FortisBC Energy Inc. (FEI or the Company) Application for a CPCN for the TLSE Project (Application)	Submission Date: March 20, 2025
Response to BCSEA Information Request (IR) No. 5	Page 8

Whether an expansion of the liquefaction facilities as part of the Tilbury Phase 2 LNG Expansion project requires additional storage depends on the market served. For example, if the liquefaction was constructed to support the expanding marine fueling market, the project could rely on the storage provided by the Tilbury 1A tank which was built for that purpose under Special Direction No. 5 to the BCUC and would not require additional storage.

However, given that Phase 2 liquefaction remains market dependent, its storage requirements, if any, remain unknown.

FEI stated in its October 24, 2022 submission to the BCUC:

“16. The technical potential to make a portion of the “third Bcf” of storage capacity available to support bunkering or to provide storage for the Liquefaction Facility is: (i) subject to FEI’s own resiliency, gas supply and operational needs; (ii) one option among many; (iii) speculative at present; and (iv) subject to BCUC oversight. It should be understood as a potential and contingent means of offsetting some of the cost of service of the TLSE Project for the benefit of ratepayers rather than a justification for the Project.”

24.3 What is the current status of this assertion?

Response:

The statement remains accurate. As it stands, the third Bcf is needed to support FEI’s gas supply requirements and operational needs; however, if these needs, as well as FEI’s resiliency needs, evolve over time, the versatility of on-system storage will enable FEI to consider options involving the TLSE tank to offset the associated cost of service.

FortisBC Energy Inc. (FEI or the Company) Application for a CPCN for the TLSE Project (Application)	Submission Date: March 20, 2025
Response to BCSEA Information Request (IR) No. 5	Page 9

1 **25.0 Topic: Regional Gas Supply Diversity project**

2 **Reference: Exhibit B-60, Supplemental Evidence; Exhibit B-61, 2024 Gas System**
3 **Resiliency Plan**

4 25.1 Please confirm the status of FEI's Regional Gas Supply Diversity project and
5 discuss the implications for FEI's analysis of the TLSE Project.

6
7 **Response:**

8 Please refer to the response to BCOAPO IR5 3.2.

9

26.0 Topic: Rate Impact

Reference: Exhibit B-60, Supplemental Evidence

26.1 For the Preferred Alternative, please provide the estimated levelized total rate impact, (a) including, and (b) excluding the cost of gas, on a percent and \$/GJ basis for 23 years and 67 years.

Response:

FEI clarifies that the financial analysis summarized in Table 6-6 of the Supplemental Evidence includes the following:

- A 67-year analysis period based on a 60-year expected life of the LNG storage tank plus 7 years of construction; and
- A 27-year analysis period based on a hypothetical early retirement in 2050 (i.e., 20 years) plus 7 years of construction.

Accordingly, please refer to Table 1 below for the estimated levelized rate impacts with and without the cost of gas (on a percentage and \$ per GJ basis) over a 27-year (20 years with early retirement) and 67-year (60 years of expected life) analysis period.

Table 1: Total Levelized Rate Impact for Supplemental Alternative 9 over 67-year and 27-year Analysis Period⁴

Alt 9 - 3 BCF 800 MMcf/d (2 BCF resl)	27-Years Analysis Period	67-Years Analysis Period
Levelized Delivery Rate Impact	8.14%	6.90%
Levelized Cost of Gas Impact	-3.60%	-4.51%
Total Levelized Rate Impact (incl. Cost of Gas) over analysis period (%)	3.56%	2.44%
Levelized Volumetric Delivery Rate Impact	0.462	0.392
Levelized Volumetric Cost of Gas Impact	(0.131)	(0.164)
Total Levelized Rate Impact (incl. Cost of Gas) over analysis period (\$/GJ)	0.331	0.228

26.2 Please discuss whether in FEI's view the rate impact of the proposed TLSE Project exacerbates the potential risk of a 'utility rate death spiral.'

⁴ The total levelized rate impacts for both the 27-year and 67-year analysis period reflect the correct calculation for the annual gas costs up to 2035 due to a small rounding error. Please refer to the response to BCUC IR5 131.3.

FortisBC Energy Inc. (FEI or the Company) Application for a CPCN for the TLSE Project (Application)	Submission Date: March 20, 2025
Response to BCSEA Information Request (IR) No. 5	Page 11

1 **Response:**

2 FEI acknowledges the risk of declining utility load associated with the energy transition, and that
3 higher utility rates (all else equal) make gas less competitive relative to other energy alternatives
4 like electricity. The TLSE Project is nonetheless necessary. FEI believes that the known current
5 risk of catastrophic harm and the known current need to replace an important source of peaking
6 supply that has reached end of life, outweigh the risk associated with long-term future demand
7 uncertainty. The unique flexibility of on-system LNG reduces the risk that the TLSE Project will be
8 underutilized in the future.

9 The impact of the energy transition on FEI will likely be spread out over many years, whereas a
10 total loss of supply to the Lower Mainland during winter is a current and immediate threat, is FEI's
11 largest customer outage risk, and could lead to significant GDP losses and financial impacts to
12 FEI's customers. As discussed throughout the Supplemental Evidence, the consequences of a
13 winter no-flow event, lasting only a matter of hours on T-South, if left unmitigated, will be
14 catastrophic.

15 Further, as demonstrated in the Supplemental Evidence, the Tilbury Base Plant, which has been
16 a critical gas supply function, has reached its end-of-life. The loss of this critical on-system
17 peaking supply will result in FEI needing to acquire additional pipeline capacity from the regional
18 market and could result in the curtailment of customers. These are the risks that FEI is currently
19 exposed to, and will be realized if nothing is done to replace the Base Plant with a new and larger
20 facility. The cost of the market-based alternatives is also increasing. FEI has provided a
21 quantification of the annual gas supply costs that FEI customers will incur in the absence of the
22 TLSE Project within the Supplemental Evidence.

23 In light of the unique flexibility of on-system LNG, the stranding risk is much lower for the TLSE
24 Project than other infrastructure. In the event of adverse load loss, available on-system LNG from
25 the TLSE facility could be used to mitigate gas supply costs to customers, thus helping to mitigate
26 rate increases. As discussed in Section 4.5.5.3 of the Supplemental Evidence, even under the
27 scenario of the most extreme load declines, FEI would still be serving hundreds of thousands of
28 customers in the Lower Mainland by 2050, and the reduced resiliency need would enable FEI to
29 allocate a larger portion of the tank to the gas supply portfolio. This will create the opportunity to
30 optimize FEI's gas supply portfolio such as using the additional peak demand supply from Tilbury
31 to substitute other more expensive supply resources or generate more mitigation revenue. This
32 will ultimately reduce FEI's gas supply costs in customer rates.

33