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British Columbia Utilities Commission

Inquiry into the Acquisition of Renewable Natural Gas (RNG) by Public Utilities in British Columbia

Decision and Order G-212-22

July 28, 2022

Before:

D. M. Morton, Panel Chair
R. I. Mason, Commissioner
A. Pape-Salmon, Commissioner

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Executive summary

The British Columbia Utilities Commission (BCUC) initiated this Inquiry into the Acquisition of Renewable Natural Gas (RNG) by Public Utilities in British Columbia (Inquiry) in response to a recommendation made by the BCUC in Order E-14-21 and accompanying Reasons for Decision with respect to FortisBC Energy Inc (FEI) Filing of a Biomethane Purchase Agreement (BPA) between FEI and Shell North America (Canada) Inc. (Shell).

On December 22, 2021, the BCUC invited parties to provide submissions on the following:

- Whether purchasing Environmental Attributes and pairing these attributes with physical natural gas in British Columbia satisfies the definition of RNG?
- What is the appropriate calculation when performing the annual volume test in section 2(3.8) (b) of the Greenhouse Gas Reduction Regulation (GGRR)?
- Any further process in this Inquiry; and
- Any other issue related to this Inquiry that you wish the BCUC to consider.

Submissions were received from FEI, Movement of United Professionals (MoveUP), Commercial Energy Consumers Association of British Columbia (CEC), Pacific Northern Gas Ltd. (PNG), B.C. Sustainable Energy Association (BCSEA), Canadian Biogas Association (CBA), and Residential Consumer Intervenor Association (RCIA). The BCUC provided the opportunity for reply submissions which were filed by all parties, with the exception of CBA.

On May 20, 2022, the BCUC issued a draft report (Draft Phase 1 Report) with its preliminary findings in the Inquiry and sought written submissions on (i) the contents of the Draft Phase 1 Report and (ii) specific questions and submissions sought by the BCUC contained within the Draft Phase 1 Report.¹ Submissions were received from FEI, MoveUP, PNG, BSCEA and RCIA. BSCEA also filed reply comments.

The Inquiry was then adjourned for 30 days.²

The Panel has considered the submissions made by parties, makes findings and determinations on the questions posed in the Inquiry and issues the Final Phase 1 Report.

In summary:

- The Panel finds that the BCUC has the jurisdiction and therefore authority to interpret legislation that applies to it and although the *Clean Energy Act* (CEA) prohibits the BCUC from doing anything that would directly or indirectly prevent a utility from carrying out a prescribed undertaking, the BCUC has the jurisdiction to determine whether an activity qualifies as a prescribed undertaking. In this case, we are determining what qualifies as an acquisition of Renewable Natural Gas.
- The Panel provides clarification to the finding made in the Draft Phase 1 Report that while “a unit of Natural Gas plus the Environmental Attributes [EA] associated with the production of an equivalent unit of biomethane” is an example of Renewable Natural Gas, the full definition of Renewable Natural Gas may be more expansive.
- The Panel establishes a Phase 2 of the Inquiry to consider, among other things, Renewable Natural Gas derived from other clean or renewable resources.

¹ Order G-142-22

² Order G-173-22

- The CEA and GGRR are silent on a definition of Renewable Natural Gas and also on how Renewable Natural Gas is acquired and delivered. We agree that this legislative silence does not, in itself, argue for any particular definition of Renewable Natural Gas or for unbundling of Environmental Attributes. However, the silence indicates that there is no particular definition of Renewable Natural Gas contemplated and unbundling is not specifically precluded.
- The Panel confirms the findings and comments in the Draft Phase 1 Report which concluded that, in the case of Renewable Natural Gas derived from biomass and biogas, the combination of natural gas and Environmental Attributes associated with the production of biomethane qualifies as Renewable Natural Gas. These findings are based upon the established BCUC interpretation of the word “acquire”, as it is used in the GGRR.
- Renewable Natural Gas can be delivered in different ways, and the GGRR is not prescriptive on how it may be delivered. In the Panel’s view, notional delivery of Renewable Natural Gas is unbundling. The essence of notional delivery is that the gas and the Environmental Attributes are unbundled and may subsequently be re-bundled with gas and Environmental Attributes acquired from other sources.
- The BCUC has accepted that an applicant utility can produce its own Renewable Natural Gas instead of purchasing it – it can “assemble” the Renewable Natural Gas itself. Producing, or assembling, Renewable Natural Gas from an Environmental Attribute and conventional natural gas, each acquired separately, similarly satisfies the requirement to acquire Renewable Natural Gas. Renewable Natural Gas can be “assembled” from Environmental Attributes acquired separately from the conventional gas it is ultimately bundled with. It may be further unbundled and re-bundled when it is delivered to the end-use customer.
- The Panel finds that “delivery” is a necessary aspect of “acquire” in this context, as public utilities must be able to further deliver, to their customers, the Renewable Natural Gas they acquire. To be a prescribed undertaking, utilities must have Renewable Natural Gas delivered. Further, when examining the FEI- Shell BPA contract, we find that the seller, Shell, has unbundled and re-bundled the Renewable Natural Gas in order to provide it to FEI.

This decision is laid out as follows:

1. Section 4.0 provides a summary of parties’ comments on the Draft Phase 1 Report
2. Section 5.0 provides the Panel’s determinations
 - a. Section 5.1 provides the Panel’s response to parties’ comments on the Draft Phase 1 Report
3. Section 6.0 sets out the scope of Phase 2 of the Inquiry
4. Section 7.0 discusses provisions for Participant Assistance/Cost Awards
5. Section 8.0 provides a summary of Phase 2 submissions sought

1.0 Introduction and Background

On May 20, 2022, the British Columbia Utilities Commission (BCUC) issued a draft report with its preliminary findings in the Inquiry into the Acquisition of Renewable Natural Gas (RNG) by Public Utilities in British Columbia (Draft Report, Draft Phase 1 Report).

By Order G-142-22, the BCUC sought written submissions on the following:

- (i) The contents of the Draft Report; and
- (ii) The specific questions and submissions sought by the BCUC contained within the Draft Report.

By June 6, 2022, the following parties filed their submissions:

- Movement of United Professionals (MoveUP);
- Pacific Northern Gas LTD. (PNG);
- B.C. Sustainable Energy Association (BCSEA);
- FortisBC Energy Inc. (FEI); and
- Residential Consumer Intervenor Association (RCIA)

On June 20, 2022, BCSEA filed its reply submission.

The Inquiry was then adjourned for 30 days by Order G-173-22.

2.0 Legislative and Policy Background

2.1 Clean Energy Act

On April 18, 2010, the BC Government enacted the *Clean Energy Act* (CEA). The CEA provides, in part, that the Lieutenant Governor in Council (LGIC) may make regulations to define “prescribed undertakings” that are intended to encourage “the use of electricity, or energy directly from a clean or renewable resource instead of the use of other energy sources that produce higher greenhouse gas [GHG] emissions.”³ Specifically, section 35(n) of the CEA allows the LGIC to “make regulations...for the purposes of the definition of “prescribed undertaking” in section 18...” of the CEA.

The CEA defines “clean or renewable resource” to mean “biomass, biogas, geothermal heat, hydro, solar, ocean, wind or any other prescribed resource.”⁴

Section 18(1) of the CEA defines a prescribed undertaking as “...a project, program, contract or expenditure that is in a class of projects, programs, contracts or expenditures prescribed for the purpose of reducing greenhouse gas emissions in British Columbia.”⁵ Further, sections 18(2) and 18(3) of the CEA establish the BCUC’s role in the setting of rates related to prescribed undertakings:

- (2) In setting rates under the Utilities Commission Act for a public utility carrying out a prescribed undertaking, the commission must set rates that allow the public utility to collect

³ Clean Energy Act, SBC 2010, c. 22, s. 35.

⁴ Clean Energy Act, SBC 2010, c. 22, s. 1.

⁵ Clean Energy Act, SBC 2010, c. 22, s. 18.

sufficient revenue in each fiscal year to enable it to recover its costs incurred with respect to the prescribed undertaking.

(3) The commission must not exercise a power under the Utilities Commission Act in a way that would directly or indirectly prevent a public utility referred to in section (2) from carrying out a prescribed undertaking.⁶

2.2 Greenhouse Gas Reduction Regulation – Prescribed Undertaking

By Order in Council (OIC) No. 295/2012, the LGIC ordered the Greenhouse Gas Reduction Regulation (GGRR), which describes classes of prescribed undertakings pursuant to section 18 of the CEA. Section 2(3.8) of the GGRR established the acquisition of Renewable Natural Gas as a prescribed undertaking:

(3.8) The public utility acquires renewable natural gas:

(a) for which the public utility pays no more than \$30 per GJ; and

(b) that, subject to subsection (3.9), in a calendar year, does not exceed 5% of the total volume of natural gas provided by the public utility to its non-bypass customers in 2015.

OIC No. 306/2021

On May 25, 2021, the LGIC ordered OIC No. 306/2021, which amended the GGRR and added the following definitions to section 1:

“annual percentage change” means the annual percentage change in the annual average All-items Consumer Price Index for British Columbia, as published by Statistics Canada under the authority of the Statistics Act (Canada);

“fiscal year” means the period from April 1 in one year to March 31 in the next year;

OIC No. 306/2021 added the following subsection to the GGRR:

(3.71) For the purpose of subsection (3.8) “acquires renewable natural gas” includes producing renewable natural gas by producing or purchasing biogas and upgrading it to renewable natural gas

OIC No. 306/2021 repealed subsection 3.8 of the GGRR and substituted the following:

(3.8) The public utility acquires renewable natural gas

(a) at costs that meet the following criteria, as applicable:

(iii) if the public utility acquires renewable natural gas by purchasing it, the price of the renewable natural gas does not exceed the maximum amount, determined in accordance with section 9, in effect in the fiscal year in which the contract for purchase is signed;

(iv) if the public utility acquires renewable natural gas by producing it, the levelized cost of production reasonably expected by the public utility does not exceed the maximum amount, determined in accordance with section 9, in effect in the fiscal year in which the public utility decides to construct or purchase the production facility,

⁶ Clean Energy Act, SBC 2010, c. 22, s. 18.

- (b) that, in a calendar year, does not exceed 15% of the total amount, in GJ, of natural gas provided by the public utility to its non-bypass customers in 2019, subject to subsection (3.9) and section 10

OIC No. 306/2021 added the following sections to the GGRR:

- 9 For the purpose of sections 2 (3.8) (a), 6 (c), 7 (2)(b) and 8 (1) (b),
 - (a) The maximum amount in effect in the 2021/2022 fiscal year is \$31 per GJ, and
 - (b) For fiscal years subsequent to the 2021/2022 fiscal year, the maximum amount is calculated on April 1 of each year by multiplying
 - (i) The maximum amount in effect in the immediately preceding fiscal year, and
 - (ii) The sum of
 - (A) 1, and
 - (B) The annual percentage change for the previous calendar year.
- 10 If a public utility does 2 or more of the following:
 - (a) acquires renewable natural gas in accordance with section 2 (3.8);
 - (b) produces or purchases hydrogen in accordance with section 6;
 - (c) purchases synthesis gas in accordance with section 7;
 - (d) purchases lignin in accordance with subsection 8, the aggregate amount of all products must not exceed 15% of the total amount of natural gas, in GJ, provided by the public utility to its non-bypass customers in 2019.

In this Decision, all references to the GGRR refer to the GGRR as amended by OIC No. 306/2021 unless otherwise noted. In addition, defined terms in this Decision adopt the same meaning as those found in the Final Phase 1 Report.

2.3 Utilities Commission Act and BCUC Gas Supply Rules

Public utilities are required to file Energy Supply Contracts (ESC), including those for biomethane, with the BCUC pursuant to section 71 of the UCA. The BCUC may hold a hearing to determine if an ESC is not in the public interest. In determining whether an ESC is or is not in the public interest, the BCUC must consider the criteria set out in section 71(2.1) of the UCA.

By Order G-130-06, dated October 27, 2006, the BCUC established the Gas Supply Rules to facilitate the review of natural gas ESC's pursuant to section 71 of the UCA.

Section 82 of the UCA provides the BCUC with powers to inquire on its own initiative:

- 82 (1) The commission
 - (a) may, on its own motion, and
 - (b) must, on the request of the Lieutenant Governor in Council, inquire into, hear and determine a matter that under this Act it may inquire into, hear or determine on application or complaint.

- (2) For the purpose of subsection (1), the commission has the same powers as are vested in it by this Act in respect of an application or complaint.

3.0 Summary of BCUC Accepted Biomethane Purchase Agreements

Biomethane Purchase Agreements (BPA) are filed for acceptance with the BCUC under section 71 of the UCA. By Order G-122-19 with Reasons for Decision dated June 6, 2019, the BCUC accepted FEI's Application for Acceptance of the Biogas Purchase Agreement between FEI and the City of Vancouver and set out the three-part test for a prescribed undertaking under section 2(3.8) of the GGRR, as follows:

To avail itself of the benefit of section 18(3) of the CEA, however, FEI must demonstrate to the reasonable satisfaction of the [BCUC] that the BPA or the Project qualifies as a prescribed undertaking as defined under Section 2(3.8) of the GGRR, which sets out a three-part test:

- The public utility must be acquiring renewable natural gas (as opposed to some other form of commodity);
- The utility must pay no more than \$30 per GJ for that renewable natural gas; and
- Subject to certain exceptions, the annual volume of renewable natural gas acquired must not exceed 5% of the total volume of natural gas the utility provided to its non-bypass customers in 2015.⁷

Pursuant to section 18(3) of the CEA, the BCUC must not exercise a power under the UCA in a way that would directly or indirectly prevent a public from carrying out a prescribed undertaking. Therefore, should a BPA be determined to meet the 3-part test, the BCUC is obligated to accept the BPA pursuant to section 71 of the UCA. However, BPAs that are prescribed undertakings are not reviewed from a public interest perspective in accordance with the criteria as set out in section 71(2.1) of the UCA.

Staff Table 1 below provides a summary of those BPAs accepted for filing by the BCUC as meeting the requirements of a prescribed undertaking pursuant to the CEA and GGRR:

⁷ Order G-122-19 with Reasons for Decision, p.8

Staff Table 1 – Summary of BCUC Accepted BPAs

	Location	Type of Project	Contract Volume (TJ)	Expected Volume (TJ)	Actual Volume (TJ)	BCUC Approval Date	BCUC Order Number	BPA Type ⁸
Fortis BC Energy Inc.⁹								
British Columbia								
Seabreeze Expansion	Delta	Agriculture	50	50	21.2	May-19	E-11-19	Direct-Upgraded
City of Vancouver Landfill	Delta	Landfill	330	213		Sept-19	G-235-19	Direct-Raw
REN Fruitvale	Fruitvale	Gasification	1,200	1,000		Mar-20	G-60-20	Direct-Upgraded
Matter Global Solutions	Clayhurst	Agriculture	100	75		Apr-20	E-12-20	Third Party
Dicklands Farm	Chilliwack	Agriculture	160	120		Apr-20	E-13-20	Direct-Upgraded
Quadrogen	Delta	Landfill	80	10	10.4	Sept-20	E-20-20	Third Party
Capital Regional District	Victoria	Landfill	280	210		June-21	E-15-21	Direct-Upgraded
GVSD (Metro Vancouver)	Richmond	Wastewater	100	75		June-21	E-16-21	Direct-Upgraded
Net Zero Waste	Abbotsford	Gasification	180	140		Oct-21	E-21-21	Direct-Upgraded
Regional District of Fraser-Fort George	Prince George	Landfill	115	90		Jan-22	E-2-22	Direct-Raw
Delta RNG	Delta	Landfill	1,200	900		Jan-22	E-3-22	Third Party
Alberta								
Lethbridge Biogas	Lethbridge	Agriculture	474.5	356	144.6	June-20	E-18-20	Direct-Upgraded
EPCOR	Edmonton	Wastewater	280	210		Sept-20	E-24-20	Direct-Upgraded
Grow the Energy Circle Ltd. (GrowTEC)	Chin	Agricultural	140	110		Oct-21	E-22-21	Direct-Upgraded
Ontario								
Tidal - Niagara	Niagara	Municipal	693.5	693.5		Feb-20	G-40-20	Third Party
Tidal - London	London	Municipal	237.25	237.25	174.2	Feb-20	G-40-20	Third Party
Faromor CNG	Ilderton	Agriculture	120	90	28.8	Apr-20	E-14-20	Third Party
Bradam Napanee	Napanee	Gasification	1,500	1,125		June-20	E-14-20	Direct-Upgraded
Bradam Hamilton	Hamilton	Gasification	1,500	1,000		June-20	E-16-20	Direct-Upgraded
Tidal - Greenshields	London	Gasification	800	600		June-20	E-17-20	Third Party
Walker RNG	Aylmer	Agriculture	160	120		Dec-20	E-28-20	Direct-Upgraded
Evergreen (Oshawa) Environmental Inc.	Oshawa	Agriculture	390	290		Oct-21	E-24-21	Direct-Upgraded
United States								
Shell Energy North America Canada Inc.	Des Moines, IA	Wastewater	600	450	389.7	May-21	E-14-21	Third Party
Assai Energy LLC (Archaea)	Dunmore, PA	Landfill	1,200	900	17.5	July-21	E-20-21	Third Party
Tidal-Winnipeg	Rockford, IL	Landfill	840	630		Oct-21	E-23-21	Third Party
Archaea	Various	Landfill	8,000	7,000	21.2	Mar-22	E-4-22	Third Party
Pacific Northern Gas Ltd.¹⁰								
Alberta								
ATCO Energy Solutions Ltd.	Hairy Hill	Agriculture	-	-	-	Apr-22	E-7-22	Direct-Upgraded
Ontario								
Tidal	London	-	-	-	-	Apr-22	E-7-22	Third Party

⁸ Direct-Upgraded BPAs are categorized as BPAs where the utility is acquiring finished biomethane directly from the counterparty that produces the biomethane.

Direct-Raw BPAs are categorized as BPAs where the utility is acquiring biogas directly from the counterparty that produces the raw biogas which requires facilities to upgrade the raw biogas into biomethane.

Third Party BPAs are categorized as BPAs where the utility has a contract with a counterparty that is responsible for delivering biomethane to the utility but does not produce the biomethane or biogas themselves.

4.0 Summary of Parties' Submissions on Draft Report

4.1 PNG

PNG accepts and agrees with the findings and recommendations as set out in the Draft Report and welcomes the clear definitions of Conventional Natural Gas, biogas, biomethane and Renewable Natural Gas.¹¹ PNG states that the definition of Renewable Natural Gas in the Draft Report as “a unit of Natural Gas plus the Environmental Attributes [EA] associated with the production of an equivalent unit of biomethane” affirms the validity of the transaction mechanism of BPAs entered into that have been accepted by the BCUC; that is, the acquisition of Renewable Natural Gas is completed through an acquisition of Conventional Natural Gas and the Environmental Attribute associated with the biomethane supply.¹²

PNG notes that BCUC acceptance of the separability of Environmental Attribute from the physical quantities of biomethane facilitates a broader scope of transactions for Renewable Natural Gas that are potentially at lower cost.¹³ Further, PNG submits this separability is an important step enabling natural gas utilities in BC to achieve the CleanBC emissions reduction target associated with the combustion of Conventional Natural Gas to below 6.11 MT by 2030 at the lowest possible cost.¹⁴

4.2 Move Up

MoveUp notes that the Draft Report correctly summarizes the realities and logistics of North America's natural gas distribution systems, and the physical constraints facing the acquisition and delivery of Renewable Natural Gas as a fungible product blended with fossil natural gas (FNG) in a pipeline network.¹⁵

MoveUp submits that it is critically important that the BCUC's policies are framed with close attention to their wider social context and to the boundaries of the “social license” required to maintain the natural gas industry in the coming period of electrification, GHG reductions targets and tightening government measures.¹⁶

MoveUp argues that the more remote the connection between the generation of an Environmental Attribute or credit, and the physical production of delivered gas, the more difficult it will be for a program to justify and maintain its credibility¹⁷ with the unintended risk that the credibility of the natural gas distribution sector is undermined by an effort to facilitate the transition to a lower-carbon future.¹⁸ MoveUp submits that one objective of a regulator should be to enable the survival of the natural gas distribution sector and its transition to a sustainable future.¹⁹

⁹ Based on information filed in FEI's Greenhouse Gas Reduction (Clean Energy) Regulation (GGRR) 2021 Annual Report covering the period from April 1, 2021 to March 31, 2022 filed with the Ministry of Energy, Mines and Low Carbon Innovation, available at <https://docs.bcuc.com/documents/WebsiteContent/EnergyTransition/2022-06-30-FEI-GGRR-2022-AnnualReport.pdf>

¹⁰ Based on information filed in PNG's Application for Approval of a Low Carbon Energy Cost Recovery Mechanism and Biomethane Purchase Agreements Proceeding, Exhibit B-1, pp. 55-70 and PNG's Greenhouse Gas Reduction (Clean Energy) Regulation Reporting for the Period April 1, 2021 to March 31, 2022, available at <https://docs.bcuc.com/documents/WebsiteContent/EnergyTransition/2022-PNG-GGRR-AnnualReport.pdf>

¹¹ PNG Submission dated June 6, 2022, p.1.

¹² Ibid., p.2.

¹³ Ibid., p.3.

¹⁴ Ibid.

¹⁵ MoveUp Submission dated June 6, 2022, p.2.

¹⁶ Ibid., pp.1-2.

¹⁷ Ibid., p.3.

¹⁸ Ibid., p.1.

¹⁹ Ibid.

Moveup reiterates its “straw-across-the-border”²⁰ rule, where it suggested there “must be a physical pipeline connection between the RNG and the distribution utility’s own system...so that delivery of RNG is real”.²¹ MoveUp submits this rule is reasonable in defining what is “in and out-of-bounds”, and serves the needs of the utility, its customers, its regulator, and government.²² MoveUp states that regulatory rates and rules should be drawn carefully to avoid a negative public perception or even subvert broader climate policy goals.²³

MoveUp argues that FEI’s Biomethane Energy Recovery Charge Rate Methodology and Comprehensive Review of a Revised Renewable Gas Program Application (FEI BERC Rate & Revised Renewable Gas Program Application) is crafted in large part to accommodate municipal and provincial government climate policies. MoveUp submits that if Renewable Natural Gas could consist of FNG plus carbon credits, whose origins bear no real relationship with the delivery of Renewable Natural Gas, it would undermine the suitability of the rate structure satisfying municipal requirements.²⁴ MoveUp notes that FEI has avoided reliance on carbon offsets in its biomethane program to date and “does not expect to use offsets in a significant way in the future” as stated in the FEI BERC Rate & Revised Renewable Gas Program Application.

MoveUp acknowledges that FEI has a sufficient challenge in satisfying municipal governments that its Renewable Natural Gas offering complies with their climate-related codes and standards, without being burdened with a regulation that “might undermine public reliance on the connection between its renewable gas commodity and the actual production of renewable gas.”²⁵

MoveUp agrees with FEI’s comment, that “it is the acquisition of the Environmental Attributes associated with the production of RNG that ‘conveys the environmental credit, including associated GHG reductions’ and ‘would give FEI or its customers the right to claim any credits for the GHG reduction from the production and use of the RNG. This could be done without purchasing the actual molecules’”.²⁶ MoveUp notes that while this solution is not without controversy in the public arena, it is viable and appropriate.²⁷

4.3 BCSEA

BCSEA disagrees with the definition of Renewable Natural Gas as defined in the Draft Report and the rationale for rejecting its original submission that the GGRR and the CEA do not contemplate an unbundled Environmental Attribute regime.²⁸

BCSEA states “[L]egislative silence is not an invitation to the BCUC to create a new legal regime. The regime established by the CEA and GGRR does not involve unbundled environmental attributes. The legislative silence on other types of GHG-reduction regimes simply means that other types of regimes have not been established; it does not mean that the BCUC has authority to redefine the established regime.”²⁹

Further, BCSEA argues “there is no reason for the *Clean Energy Act* to “explicitly preclude” the unbundled Environmental Attribute concepts as expressed in the Draft Report”³⁰ and “the CEA and the GGRR do not have to “explicitly preclude” the establishment of a regime that is different than the one that is established.”³¹ In

²⁰ Moveup Submission dated February 25, 2022, p.2.

²¹ Ibid.

²² Ibid.

²³ MoveUp Submission dated June 3, 2022, p.3.

²⁴ MoveUp Submission dated June 3, 2022., p.2.

²⁵ Ibid.

²⁶ Ibid., p.3.

²⁷ Ibid.

²⁸ BCSEA Submission dated June 2, 2022, p.1.

²⁹ Ibid.

³⁰ Ibid., p.3.

³¹ Ibid.

BCSEA's opinion, the BCUC does not have the authority to establish a regime involving unbundled Environmental Attributes nor does the GGRR provide legal authority for the BCUC to amend the regime established by the CEA and the GGRR, regardless of whether a different regime might be beneficial.³²

BCSEA states that the BCUC has never accepted, and has never been asked to accept, under section 71 of the UCA, a purported BPA that was for unbundled Environmental Attributes and not for Renewable Natural Gas. BCSEA further states that "a utility contractually acquires renewable natural gas, which includes the environmental attributes of the renewable natural gas acquired by the utility. This has been the case for all of the Biomethane purchase agreements under the GGRR accepted for filing under s.71 of the UCA"³³ [Underline in Original]

With respect to the legislative purpose of the GGRR, BCSEA considers it a troubling rationale for the Panel to reject its submission that the GGRR and the CEA do not contemplate an Environmental Attribute regime. BCSEA states there is no legal merit in the Draft Report's argument that the purpose of the prescribed undertaking regime under the GGRR and the CEA is to reduce GHG emissions in BC.³⁴

BCSEA notes that the "acquisition of biomethane" by a utility is a component of the regime established by the CEA and the GGRR that involves actual renewable gas.³⁵ Under section 71 of the UCA, the BCUC exercises public interest oversight of a utility's contract to acquire energy in the form of biomethane and the BCUC requires sufficient safeguards to prevent double counting. The BCSEA submits the CEA and the GGRR establish a prescribed undertaking regime that involves actual Renewable Natural Gas (and hydrogen, synthesis gas and lignin) and does not contemplate unbundled Environmental Attributes.³⁶ Further, BCSEA claims the Draft Report aims "to turn the prescribed undertaking framework under the GGRR and CEA s.18 into an unbundled attributes regime."³⁷

BCSEA submits that "under GGRR and previous BCUC determinations, the only practical way to deliver renewable natural gas is to acquire renewable natural gas, and to deliver the renewable natural gas. The environmental attributes of renewable natural gas (or biomethane) are simply attributes; they are not "proof" of anything. Proof that an ESC is for renewable natural gas under the GGRR is established by the contractual terms and conditions of the ESC."³⁸

BCSEA goes on to state "[u]nder the GGRR and BCUC-approved ESCs, the utility acquires biomethane from a producer of biomethane. The BPA (contract) specifies in detail the terms and conditions that are summarized as being the environmental attributes of the RNG. The BCUC-approved BPA also specifies the terms and conditions of the delivery the RNG to the utility."³⁹

With respect to delivery, BCSEA submits that what is delivered to a customer is "defined by contract (including tariffs). A customer who receives renewable natural gas receives notional delivery of renewable natural gas, which is pipeline quality gas plus the environmental attributes of the renewable natural gas that was injected into the system."⁴⁰

³² Ibid.

³³ Ibid., p.11.

³⁴ Ibid., p.3.

³⁵ Ibid.

³⁶ Ibid.

³⁷ Ibid., p.12.

³⁸ Ibid., p.11.

³⁹ Ibid., p.13.

⁴⁰ Ibid., p..10.

Further, in BCSEA’s view, biomethane is a gas mixture that can be readily distinguished (including chemically) from the conventional natural gas mixture.”⁴¹

BCSEA concludes it is concerned that the approach in the Draft Report would undermine customer confidence in utilities’ Renewable Natural Gas programs and would weaken GHG emissions reduction measures in BC.⁴²

BCSEA Comments on Process

BCSEA states that the acquisition of Renewable Natural Gas by public utilities is currently being addressed in several proceedings, which is inefficient and could give rise to inconsistent findings. BCSEA submits the BCUC should terminate the Inquiry and address the issues in FEI’s Long Term Gas Resource Plan (2022 LTGRP) proceeding.⁴³

In the alternative, the BCSEA states the Inquiry should follow a rigorous structure, including a BCUC order establishing the Inquiry, submissions and determination on scope to avoid overlap, clarifying whether Inquiry topics are on the GGRR and CEA, providing the statutory basis where topics extend beyond the GGRR and CEA and participant funding.⁴⁴

4.4 FEI and RCIA

FEI and RCIA did not provide general comments on the Draft Phase 1 Report.

5.0 Panel Determinations

In the Draft Phase 1 Report, the Panel determined that Renewable Natural Gas, or Renewable Natural Gas, is “*a unit of Natural Gas plus the Environmental Attributes associated with the production of an equivalent unit of biomethane*”.⁴⁵

After reviewing the submissions of the parties and further considering the definition of Renewable Natural Gas, we provide the clarification that while “*a unit of Natural Gas plus the Environmental Attributes associated with the production of an equivalent unit of biomethane*” is an example of Renewable Natural Gas, the full definition of Renewable Natural Gas may be more expansive than just this example suggests.

A plain reading of the term “renewable natural gas” suggests it means natural gas that is renewable. Natural gas is defined in section 68 of the UCA as:

“any methane, propane or butane that is sold for consumption as a domestic, commercial or industrial fuel or as an industrial raw material”

The term “renewable” is not defined in BC legislation. However, the CEA, at section 1(1), provides the following definition of a “clean or renewable resource”:

“clean or renewable resource” means biomass, biogas, geothermal heat, hydro, solar, ocean, wind or any other prescribed resource;

⁴¹ BCSEA Submission dated June 6, 2022, p.6

⁴² Ibid.

⁴³ Ibid., p.15.

⁴⁴ Ibid., p.16.

⁴⁵ Exhibit A-6, p.18.

Section 2 of the *Clean or Renewable Resource Regulation*⁴⁶ prescribes the following additional clean and renewable resources:⁴⁷

- a) biogenic waste;
- b) waste heat; and
- c) waste hydrogen.

In the Draft Phase 1 Report, we primarily considered biomethane, which, as discussed in that report, is derived from biomass or biogas which are clearly “renewable resources” as defined in the legislation. All acquisitions of Renewable Natural Gas under the GGRR that have been accepted by the BCUC thus far involve the acquisition of biomethane that was either injected directly into the purchaser’s Local Distribution System (LDS), upgraded from biogas for injection into the LDS, or acquired, in some cases through a third party, with delivery of natural gas along with the Environmental Attributes that were associated with the production of biomethane. As a result, the first phase of the Inquiry focussed on Renewable Natural Gas derived from biomethane.

As indicated in the Draft Phase 1 Report, in Phase 2 we broaden the scope to consider, among other things, Renewable Natural Gas derived from other clean or renewable resources. We further discuss Phase 2 of the Inquiry in section 5.2 of this decision.

Further, we confirm the findings and comments in the Draft Phase 1 Report which concluded that, in the case of Renewable Natural Gas derived from biomass and biogas, the combination of natural gas and Environmental Attributes associated with the production of biomethane qualifies as Renewable Natural Gas. These findings are based upon the established BCUC interpretation of the word “acquire”, as it is used in the GGRR.

As defined in the *Interpretation Act*, acquire means “to obtain by any method”. As a consequence, a party acquiring Renewable Natural Gas can acquire the two components separately and “assemble” them into the final Renewable Natural Gas product. As we discuss in section 5.1.3 of this decision, the BCUC has accepted this approach in its review of previous BPAs.

These reasons are set out as follows:

1. Section 5.1 provides the Panel’s response to parties’ comments on the Draft Phase 1 Report
2. Section 6.0 sets out the scope of Phase 2 of the Inquiry
3. Section 7.0 discusses provisions for Participant Assistance/Cost Awards
4. Section 8.0 provides a summary of Phase 2 submissions sought

5.1 Panel’s Response to Comments on the Draft Report

5.1.1 The BCUC’s jurisdiction to define the term Renewable Natural Gas

BCSEA states that “[t]he legislative silence on other types of GHG-reduction regimes simply means that other types of regimes have not been established; it does not mean that the BCUC has authority to redefine the established regime”.⁴⁸

⁴⁶ https://www.bclaws.gov.bc.ca/civix/document/id/complete/statreg/291_2010.

⁴⁷ The *Clean or Renewable Resource Regulation* defines the following terms:

“biogenic waste” means non-fossilized organic refuse that originates from residential, commercial, institutional, demolition, land clearing or construction sources;

“waste heat” means heat produced by a commercial process the primary purpose of which is not the production of heat;

“waste hydrogen” means hydrogen gas produced by a commercial process the primary purpose of which is not the production of hydrogen gas.

⁴⁸ BCSEA Submission dated June 6, 2022, p.2.

The Panel disagrees with BCSEA's assertion, first that the BCUC is "redefining" an established regime. BCSEA does not define what it means by "regime" in this context. Merriam-Webster defines regime as a "mode of rule or management"⁴⁹ and Dictionary.com as "a ruling or prevailing system".⁵⁰ This is what legislation generally and, in this case, the GGRR specifically purports to achieve. The regime explicitly established by the GGRR encompasses the amounts and costs of Renewable Natural Gas that a public utility can require its ratepayers to compensate the shareholder for, but does not define the term Renewable Natural Gas.

We do not seek to redefine that regime of cost and amount, but we do seek clarification on what constitutes Renewable Natural Gas and to arrive at a *definition* of Renewable Natural Gas. The definition arrived at in the Draft Phase 1 Report is consistent with the CEA, the GGRR and the Clean or Renewable Resource Regulation. It is also consistent with the Panel's analysis of the physical flows of biomethane as it is delivered to the customer and the practice and decisions made by the BCUC with regard to Renewable Natural Gas over the past 12 years.

Regardless, the BCUC does have jurisdiction and therefore authority to interpret legislation that applies to it and commonly does so. Although the CEA prohibits the BCUC from doing anything that would directly or indirectly prevent a utility from carrying out a prescribed undertaking, the BCUC has the jurisdiction to determine whether an activity qualifies as a prescribed undertaking. In this case, we are determining what qualifies as an acquisition of Renewable Natural Gas, which is one of the requirements to satisfy whether an activity is a prescribed undertaking. In order to determine whether a utility has acquired Renewable Natural Gas, we must consider, among other things, what Renewable Natural Gas is.

BCSEA also questions whether the definition of Renewable Natural Gas provided in the Draft Phase 1 Report is statutory interpretation or policy analysis. It also questions whether the purpose of the Inquiry is to determine the legal meaning of renewable natural gas under the GGRR, or to design a GHG emissions reduction mechanism.

We seek to determine the legal meaning of Renewable Natural Gas as that term is used in the GGRR, which is a matter of statutory interpretation. Any policy questions or recommendations that arise from this Inquiry will be referred to the Provincial Government.

5.1.2 The GGRR the CEA and unbundled Environmental Attributes

BCSEA states that "the contention that nothing in the CEA or GGRR establishes, or indicates an intention to establish, a mechanism involving unbundled environmental attributes cannot be logically rebutted by the argument that the CEA and GGRR are silent on the point". It then goes on to assert that "[t]he regime established by the CEA and GGRR does not involve unbundled environmental attributes". However, it does not provide any justification of the assertion other than the observation that "[t]he legislative silence on other types of GHG-reduction regimes simply means that other types of regimes have not been established."⁵¹

BCSEA submits that "the CEA and the GGRR establish a regime that contemplates, among other things, the acquisition of renewable natural gas by a utility and delivery of the renewable natural gas to customers. A regime involving unbundled environmental attributes of renewable natural gas would be a different regime. The CEA and the GGRR do not have to "explicitly preclude" the establishment of a regime that is different than the one that is established".⁵² [Underline in Original]

⁴⁹ <https://www.merriam-webster.com/dictionary/regime>.

⁵⁰ <https://www.dictionary.com/browse/regime>.

⁵¹ BCSEA Submission dated June 6, 2022, p.2.

⁵² Ibid.

The Panel disagrees. The CEA and GGRR are silent on a definition of Renewable Natural Gas and also on how Renewable Natural Gas is acquired and delivered. We agree that this legislative silence does not, in itself, argue for any particular definition of Renewable Natural Gas or for unbundling of Environmental Attributes. However, the silence indicates that there is no particular definition of Renewable Natural Gas contemplated and unbundling is not specifically precluded. Indeed, insofar as the GGRR establishes the cost and volume parameters for an acquisition of Renewable Natural Gas to be considered a prescribed undertaking, the legislature could have established specific parameters to specifically preclude unbundling. It did not. It therefore falls to the BCUC to interpret not only the definition of Renewable Natural Gas but also whether Renewable Natural Gas is acquired.

As has been much discussed in this Inquiry, the regime that has developed, through a number of proceedings before the BCUC, with regard to the delivery of acquired Renewable Natural Gas is notional delivery. We further discuss below the implications of notional delivery on unbundling.

5.1.3 Previous BCUC Decisions

We disagree with BCSEA's submissions that the draft definition of "renewable natural gas" in the GGRR is not supported by any previous BCUC decisions. As stated previously, the definition arrived at in the Draft Phase 1 Report is consistent with the legislation. In addition, while we do not consider it determinative of a definition, we have reviewed all of the decisions where the BCUC has accepted a BPA for acquisition of Renewable Natural Gas under the GGRR and we find that the definition of Renewable Natural Gas in the Draft Phase 1 Report is supported by previous BCUC decisions.

To illustrate, section 7 of the FEI-Shell BPA, which the BCUC found to satisfy the requirements of a prescribed undertaking, provided the following:⁵³

Supply by Displacement. The Seller's Affiliate will inject all Biomethane sold to the Buyer into the Mid-American Iowa System. The Parties acknowledge and agree that because Gas molecules are indistinguishable, interchangeable and comingled in the pipeline system, purchasers of conventional Gas or Biomethane generally do not physically receive or consume the same Gas molecules that they purchase from a specified source of production, this replacement of the Gas molecules purchased with other molecules being referred to as displacement. The Parties further acknowledge and agree that delivery of the product purchased and sold hereunder will be by displacement (as described in the preceding sentences) of the Biomethane produced from the Facilities with Gas produced elsewhere that upon delivery includes the Environmental Attributes

The Delivery Point was described in section 4 of the contract as Huntington, British Columbia.

This contractual term describes in detail the mechanism of unbundling and re-bundling involved in the delivery of Renewable Natural Gas. BCSEA characterises this mechanism as "Notional Delivery". It appears to be the view of BCSEA that Renewable Natural Gas is somehow acquired through a contractual mechanism that involves transfer of ownership of the actual biomethane produced, but the way it is delivered – notional delivery – is incidental to the acquisition. BCSEA's submissions in this regard include:⁵⁴

1. Under the GGRR, a utility contractually acquires renewable natural gas, which includes the Environmental Attributes of the renewable natural gas acquired by the utility. This has been the case for all of the biomethane purchase agreements under the GGRR accepted for filing by the BCUC under section 71 of the UCA.

⁵³ FortisBC Energy Inc. Section 71 Filing of Biomethane Purchase Agreement between FEI and Shell North America (Canada) Inc., Exhibit B-1, Appendix A, pdf p. 25.

⁵⁴ BCSEA Submission dated June 6, 2022, p.7.

2. BCSEA submits that the Draft Report conflates ‘what’ with ‘how.’ Under the GGRR, ‘what’ is renewable natural gas, and ‘how’ is notional delivery.
3. Put another way, by characterizing the acquisition of renewable natural gas under the GGRR as being the acquisition of Environmental Attributes of renewable natural gas separate from the renewable natural gas itself, the Draft Report assumes the very proposition that it tries to prove. [Emphasis in Original]

We disagree. We find that “delivery” is a necessary aspect of “acquire” in this context, as public utilities must be able to further deliver, to their customers, the Renewable Natural Gas they acquire. To be a prescribed undertaking, utilities must take delivery of Renewable Natural Gas. Further, when examining the FEI-Shell BPA contract, we find that the seller, Shell, has unbundled and re-bundled the Renewable Natural Gas in order to provide it to FEI.

Renewable Natural Gas can be delivered in different ways, and the GGRR is not prescriptive on how it may be delivered. However, by accepting that the FEI-Shell BPA contract satisfied the requirements of the GGRR, the BCUC accepted that FEI acquired Renewable Natural Gas in the manner laid out in the contract. To do so, in this case, requires accepting that the Environmental Attributes be unbundled from the gas that gave rise to them. In BCSEA’s parlance, the “what” is the Renewable Natural Gas acquired by FEI when it took delivery of it at Huntington, as specified in the contract.

Notional delivery is not defined in the GGRR, nor is it defined in any other BC legislation. Further, although the term has been used for Conventional Natural Gas that is delivered by displacement, it is not in general usage for Renewable Natural Gas outside of the way it has been used in various BCUC proceedings involving the acquisition of Renewable Natural Gas. In the Panel’s view, notional delivery of Renewable Natural Gas is unbundling. The essence of notional delivery is that the gas and the Environmental Attributes are unbundled and may subsequently be re-bundled with gas and Environmental Attributes acquired from other sources.

It is a consequence of unbundling that, once unbundled, the Environmental Attributes are tracked separately. Unbundling enables, and is essential to, notional delivery of Renewable Natural Gas. The Environmental Attributes are tracked separately from the flow of gas molecules. The seller is free to deliver gas sourced from anywhere and bundle it with the Environmental Attributes associated with the production of biomethane that was not necessarily even delivered to the pipeline system the seller is connected to.

Therefore, when the BCUC has reviewed a BPA filed by an applicant where the BPA provides for the acquisition of Renewable Natural Gas and the acquisition involves a notional delivery to a point on the applicant’s delivery system in British Columbia, the BCUC has accepted the unbundling of Environmental Attributes.

BCSEA appears to acknowledge this by its submission, with respect to delivery, “[w]hat gets delivered to a customer is defined by contract (including tariffs). A customer who receives renewable natural gas receives notional delivery of renewable natural gas, which is pipeline quality gas plus the environmental attributes of the renewable natural gas that was injected into the system.”⁵⁵

5.1.4 Acceptance of unbundled purchase agreements

BCSEA submits that the BCUC “has never accepted, and has never been asked to accept, under section 71 of the UCA a purported biomethane purchase agreement that was for unbundled environmental attributes and not for renewable natural gas”.⁵⁶

⁵⁵ Ibid., p.10.

⁵⁶ BSCEA Submission dated June 6, 2022, p.2.

For clarity, the Panel does not find that the purchase of Environmental Attributes themselves constitutes the acquisition of Renewable Natural Gas under the GGRR. It is only upon the combining of the Environmental Attributes with an appropriate quantum of natural gas that the Renewable Natural Gas is acquired.

That said, we will address the fact that the BCUC has never accepted an acquisition of Renewable Natural Gas that involved a purchase of Environmental Attributes from a different party and/or at a different time than the purchase of the associated natural gas. In its review of a BPA, the BCUC has never explicitly considered whether the acquisition of Renewable Natural Gas requires the applicant to acquire both the Conventional Natural Gas and the Environmental Attributes in the same transaction. The BPAs to date that have been approved by the BCUC involved the applicant acquiring the Environmental Attributes and the physical gas at the same time and from the same seller – although the seller may not necessarily be the producer of the biomethane or the party that delivers the gas to the applicant utility. The BCUC has accepted that these BPAs are acquisitions of Renewable Natural Gas pursuant to the GGRR.

In the same way there is nothing in the GGRR that precludes unbundling of Environmental Attributes, there is nothing in the GGRR that precludes purchasing the Environmental Attributes separately from the physical natural gas for the purpose of re-bundling within the BC gas pipeline system. Further, as has been noted in previous BCUC reviews of BPAs, section 29 of the *Interpretation Act* defines acquire in the following way [emphasis added]:

"acquire" means to obtain by any method and includes accept, receive, purchase, be vested with, lease, take possession, control or occupation of, and agree to do any of those things, but does not include expropriate;

The BCUC has previously stated:⁵⁷

The [BCUC] does not disagree that the accepted principles of statutory interpretation require that "acquire" be given a fair, large and liberal interpretation to accomplish the purpose of the GGRR and the CEA.

Further, the BCUC has previously determined:⁵⁸

Given the accepted principles of statutory interpretation and these broad definitions, the [BCUC] is satisfied that, when considered together, the process of purchasing and taking possession of raw landfill gas from the COV and upgrading it to RNG satisfies the meaning of "acquires renewable natural gas" in section 2(3.8) of the GGRR.

In this case, FEI did not acquire Renewable Natural Gas in from another party. It created, or manufactured, it.

As illustrated above, the BCUC has accepted that an applicant utility can produce its own Renewable Natural Gas instead of purchasing it – it can "assemble" the Renewable Natural Gas itself. Producing, or assembling, Renewable Natural Gas from an Environmental Attribute and conventional natural gas, each acquired separately, similarly satisfies the requirement to acquire Renewable Natural Gas. Renewable Natural Gas can be "assembled" from Environmental Attributes acquired separately from the conventional gas it is ultimately bundled with. It may be further unbundled and re-bundled when it is delivered to the end-use customer.

BCSEA raises the concern that a definition of Renewable Natural Gas that includes the acquisition of gas combined with separately acquired Environmental Attributes that arise from the production of biomethane will be a significant change for Renewable Natural Gas customers, who would no longer be able to consult a list of

⁵⁷ Decision and Order G-122-19, p. 10.

⁵⁸ Ibid., p. 11.

the production facilities from which their utility acquired renewable natural gas.⁵⁹ We disagree. Environmental Attributes associated with the production of biomethane can only be obtained from facilities that produce biomethane and must be acquired by contract. This provides safeguards equivalent to the safeguards provided in BPAs that have previously been reviewed by the BCUC.

That said, the next Phase of this Inquiry will consider different types of Environmental Attributes. The Panel invites parties to provide submissions on what specific attributes or criteria those alternate Environmental Attributes must have, how those Environmental Attributes can be verified and how customers can be assured of their integrity.

BCSEA also raises concerns about the lack of evidence on the Inquiry record of the existence in North America (or elsewhere) of a market for the purchase and sale of Environmental Attributes associated with the production of Renewable Natural Gas separate from the physical renewable natural gas. It goes on to submit:

If the Inquiry Panel relies on the existing or future existence of a market for the purchase and sale of environmental attributes of the production of renewable natural gas separate from the physical renewable natural gas, then BCSEA respectfully submits that the Report should address what entity would establish such a market. Is the intention that the market would be established by the BC Government? By the BCUC?⁶⁰

The Panel does not rely on any such market for Environmental Attributes, nor does it have any recommendations on whether such a market should be established or who should establish it. BC public utilities are free to establish contracts with biomethane producers to purchase their Environmental Attributes separate from the gas. PNG submits that this would be helpful:⁶¹

The acceptance by the BCUC, of the separability of Environmental Attributes from the physical quantities of biomethane facilitates a broader scope of transactions for RNG that are potentially at lower cost. ...

the separability of transactions for Conventional Natural Gas from those for Environmental Attributes is an important step enabling natural gas utilities in BC to achieve the policy objective of the CleanBC Roadmap to 2030, namely the reduction in emissions associated with the combustion of Conventional Natural Gas by their customers to below 6.11 MT by 2030, at the lowest possible cost.

We also note CEC's comments regarding the acquisition of Environmental Attributes:⁶²

The CEC submits that the primary issue being addressed should be the cost of the GHG emissions reductions being imposed on customers. To the extent that the public utility can achieve GHG reductions more cost-effectively other than acquiring RNG in BC enabling the use of GHG Environmental Attributes from elsewhere in the world would be beneficial to customers.

⁵⁹ BCSEA Submission dated June 6, 2022, p.7.

⁶⁰ Ibid., p.8.

⁶¹ PNG Submission dated June 6, 2022, pp. 2-3.

⁶² CEC Submission dated January 31, 2022, p.5.

5.1.5 BCSEA's Comments on the use of the term "biomethane"

BCSEA submits the following:⁶³

1. It is unclear why the Draft Report uses the term "biomethane" here (and elsewhere) instead of "renewable natural gas"? Renewable natural gas is the term used in the GGRR.
2. In BCSEA's view, biomethane is a gas mixture that can be readily distinguished (including chemically) from the conventional natural gas mixture.

We appreciate the confusion over the terms "biomethane" and "Renewable Natural Gas". When FEI first filed its application for a pilot program in 2009, the program was characterized as a "biomethane" pilot program. The term RNG did not appear in the application. The term Renewable Natural Gas, or RNG, was subsequently introduced and has been used – largely interchangeably with the term biomethane - over the intervening years. However, as BCSEA points out, the GGRR uses the term Renewable Natural Gas, although that term isn't defined. FEI has filed a number of applications under the GGRR most of which have included an agreement called a Biomethane Purchase Agreement. These agreements have been accepted as satisfying the requirements of the GGRR to acquire Renewable Natural Gas. This has led to confusion in the use of the terms, and this is, in part, what this Inquiry is attempting to clarify.

We agree with the view of BCSEA that biomethane is a gas mixture. We have tried, wherever possible, to use the term biomethane to refer to the gas mixture that comes off a digester and has been upgraded to pipeline quality.

The following findings made in the Draft Phase 1 Report reference the term biomethane:⁶⁴

- Biomethane cannot, for all practical purposes, be chemically distinguished from Conventional Natural Gas derived from fossil-fuel sources.
- Biomethane cannot, for all practical purposes, be physically delivered to customers due to the mixing with Natural Gas from other sources once injected into the gas pipeline system, regardless of where, and the method by which, the Natural Gas is generated.

As the two findings above point out, biomethane gas itself cannot be tracked in a pipeline system and the system operator has no idea to whom it is delivered. Therefore, it is necessary to track the Environmental Attributes separately. Those Environmental Attributes are unbundled and then affixed to whatever Natural Gas molecules are delivered to the purchaser of the biomethane. We use the term Renewable Natural Gas to refer to the product that is explicitly bundled and unbundled in this way.

In the Draft Phase 1 Report, we define biomethane to be "pipeline quality" and therefore it shares many of the chemical characteristics of the conventional gas that is injected into the pipeline system. However, as noted above, BCSEA submits that biomethane can readily distinguished from Conventional Natural Gas. We invite further submissions on how biomethane is physically distinguished from Conventional Natural Gas and the significance and consequences of this difference, particularly as it relates to the acquisition of Renewable Natural Gas.

⁶³ BCSEA Submission dated June 6, 2022, p.6.

⁶⁴ Exhibit A-6, Phase 1 Draft Report, Executive Summary, p. i.

5.1.6 Canadian Biomass Association’s comments on unbundling

CBA submits:⁶⁵

[D]ecoupling environmental attributes from RNG to be sold without tracking the physical fuel is a key approach for RNG to reach full potential and provide the low-carbon gas to consumers. This is a common concept that is used in many regions in Canada and the United States. For pairing environmental attributes with natural gas to meet the definition of RNG, those environmental attributes must come from RNG.

For example, this decoupling of environmental attributes is an approach that is used in the California Low-Carbon Fuel Standard. RNG projects can use book-and-claim accounting to keep track of the ownership and transfer of RNG without tracking the physical fuel. The decoupled environmental attributes represent the ownership and transportation of RNG without physically tracing it. RNG injected into a pipeline must maintain evidence of chain-of-custody by California Air Resources Board accredited LCFS [Low Carbon Fuel Standard] third parties. Once the environmental attribute is decoupled and purchased, the physical gas is considered conventional natural gas [sic] and can no longer be claimed as RNG by the producer. This prevents double counting.

We invite submissions on CBA’s comments and welcome intervenor evidence, if warranted, on the approach taken by California and other jurisdictions including whether, or how, it is inconsistent with the treatment of Renewable Natural Gas under the GGRR.

5.1.7 MoveUp’s comments on “social licence”

MoveUp cautions that “regulatory rates and rules be drawn carefully to avoid sowing a public perception, fair or not, that they seek to avoid or even subvert broader climate policy goals.”⁶⁶

MoveUp further submits that:⁶⁷

“it is critically important that the [BCUC’s] policies in this domain are framed with close attention to their wider social context. The end result needs to be sensitive to the boundaries of the “social license” that the natural gas distribution sector must rely on through the coming period of electrification, and of accelerating measures to eliminate greenhouse gas emissions and decarbonize the economy. The unintended risk is that the credibility of the sector is paradoxically undermined by an effort to facilitate the logistics of its transition to a lower-carbon future”.

MoveUp states that “[a]ll participants in this industry and its regulatory processes are accustomed to realities of notional delivery and delivery by displacement of acquired renewable gas within this infrastructure”. In its view, “[a]chieving the purposes of the GGRR requires that the [BCUC] recognize ‘notional’ deliveries of RNG into BC gas utilities’ systems to qualify as prescribed undertakings. The ‘straw-across-the-border’ rule may seem arbitrary given the physical dynamics of the gas, but it provides a reasonably unambiguous and intellectually defensible line to define what is in and out-of-bound”.⁶⁸

⁶⁵ CBA Submission dated January 31, 2022, pp. 1-2.

⁶⁶ MoveUp Submission dated June 3, 2022, p.2.

⁶⁷ Ibid., p.1.

⁶⁸ Ibid., p.2.

Move-up characterizes its “straw across the border” metaphor as meaning there “must be a physical pipeline connection between the RNG and the distribution utility’s own system...so that delivery of RNG is real.”⁶⁹

We find no requirement in the GGRR for the source of biomethane to be connected to the same pipeline system as the acquiring utility. However, we agree with MoveUp that all Renewable Natural Gas acquisitions that have been accepted by the BCUC to date provide that the biomethane was injected into a pipeline that had a physical connection to the purchaser’s LDS, although in some cases it was injected downstream of the transmission system that supplies the purchaser’s LDS and there was no way for the biomethane to travel to the purchaser’s LDS given the flow of natural gas. In those cases where it is downstream, the delivery was characterized as being by “displacement”. However, given the Panel’s determinations, Renewable Natural Gas is acquired when Environmental Attributes are coupled with Conventional Natural Gas. That gas does not have to be delivered by displacement or otherwise acquired from the same party as the Environmental Attributes are acquired from. Further, to acquire Renewable Natural Gas the associated biomethane does not need to be injected into a pipeline that had a physical connection to the purchaser’s LDS.

We appreciate MoveUp’s framing of possible public concerns. In our view, public acceptance is an important consideration. Industry and regulatory process participants may be accustomed to notional delivery of Renewable Natural Gas. However, we note that notional delivery of Renewable Natural Gas offers complexities beyond the well-established ideas of notional delivery of Conventional Natural Gas – principally the underlying unbundling mechanism. We appreciate and agree that members of the public may have questions about this mechanism.

The BCUC can consider public acceptance when it considers whether a contract filed under section 71 of the *UCA* is in the public interest. However, the public interest test is not a criterion for acceptance of a contract that satisfies the requirement of the GGRR. In this case the public utility acquires Renewable Natural Gas at a cost and in a quantity that satisfies the limits prescribed in the GGRR. If an acquisition satisfies the requirements of a prescribed undertaking, there is a presumption that the legislature has considered the public interest issues and is satisfied they have been met.

The GGRR is not prescriptive on where Renewable Natural Gas can be sourced from, and therefore utilities have a choice regarding the source of Renewable Natural Gas. We encourage utilities that are acquiring Renewable Natural Gas under the GGRR and selling that Renewable Natural Gas to their customers to ensure that they do so in a transparent manner and that their customers understand the source of the Renewable Natural Gas they consume, how it is acquired and how it is transported to them.

That said, we encourage parties to provide comment on MoveUp’s concerns in Phase 2, in particular about the “straw-across-the-border” rule it raised.

5.1.8 BCSEA’s comments on process

BCSEA submits that “the acquisition of renewable natural gas by public utilities under the GGRR and CEA s.18 is being, or may be, addressed in three different BCUC proceedings at the same time: this inquiry, the FEI LTGRP proceeding, and FEI Revised Renewable Natural Gas Program proceeding. In BCSEA’s view, this apparent overlap is inefficient and could give rise to inconsistent findings”.⁷⁰

We appreciate that Renewable Natural Gas is a factor in the two other proceedings identified by BCSEA. However, both of these proceedings are specific to FEI and FEI is not the only utility potentially affected by the GGRR. We consider it important that the BCUC and all stakeholders have a consistent view of Renewable Natural Gas.

⁶⁹ MoveUp Submission dated February 25, 2022, p.2.

⁷⁰ BCSEA Submission dated June 6, 2022, p.15.

Further, the scope of the FEI revised BERC Rate & Renewable Gas Program proceeding excludes issues around the definition and acquisition of Renewable Natural Gas. The 2022 LTGRP proceeding may consider the availability of Renewable Natural Gas, but it does not include the definition of Renewable Natural Gas in its scope.⁷¹

BCSEA further recommends that if the Inquiry is to continue, that it be structured rigorously, including elements such as:

- an order establishing the inquiry,
- submissions from parties, and a Panel decision, on the scope of the Inquiry so that the Inquiry does not overlap with other proceedings (or vice versa)⁷²

Section 82 of the UCA provides the BCUC with the jurisdiction to, on its own motion, inquire into, hear and determine a matter that under this Act it may inquire into, hear or determine on application or complaint. There is no requirement that an Inquiry be established with an order. The Inquiry was established by letter – Exhibit A-1 – and that provided sufficient rigour and notice to parties to ensure that they were aware of the subject matter of the proceeding in order to determine if they wanted to participate.

The scope of the Inquiry is straightforward – to determine what is considered an acquisition of Renewable Natural Gas for the purpose of the GGRR. The questions asked in the Draft Phase 1 Report were recommended by the BCUC in the FEI-Shell BPA proceeding and they formed the scope of Phase 1 of this Inquiry. Exhibit A-1 also invited parties to provide submissions on the following:

- Any further process in this Inquiry; and
- Any other issue related to this Inquiry that you wish the BCUC to consider

In response, BCSEA stated that it “has no other issues to suggest that the BCUC consider in the current inquiry”.⁷³

5.1.9 BCSEA’s Comments on Scope

BCSEA submits that:⁷⁴

While it may go without saying, BCSEA respectfully recommends against adding new issues to the Inquiry that are already a factor in existing proceedings (such as FEI’s Revised RNG Program Application) or are likely to be factor in upcoming proceedings (such as FEI’s Long Term Gas Resource Plan). BCSEA’s view is that, generally, inquiries should be limited to issues that cannot be effectively dealt with in application-based proceedings that have a full evidentiary record and specific requested remedies.

In the FEI BERC Rate & Revised Renewable Gas Program proceeding, the BCUC made the following clarification on the scope of three proceedings – including this one - that may appear to have some elements in common:⁷⁵

1. The [BCUC] notes that the 2022 Long Term Gas Resource Plan (2022 LTGRP) is currently in progress. Interveners are encouraged to participate in the 2022 LTGRP proceeding if they wish to explore FEI’s long term supply and demand relating to its distribution system.

⁷¹ FortisBC Energy Inc. Biomethane Energy Recovery Charge Rate Methodology and Comprehensive Review of a Revised Renewable Gas Program Proceeding, Order G-165-22A, Exhibit A-20-1

⁷² Ibid.

⁷³ BCSEA Submission dated January 31, 2022, p.4.

⁷⁴ BCSEA Submission dated, January 27, 2022, p.4; BCSEA Submission, dated June 6, 2022, p. 15, footnote 37.

⁷⁵ BCUC Order G-165-22A with Reasons for Decision, p.6.

2. The [BCUC] is not persuaded that the specification of RNG and the nature of notional delivery is within the scope of this proceeding. The RNG Inquiry proceeding currently underway is exploring such topics. Interveners are encouraged to participate in the RNG Inquiry proceeding should they wish to pursue these issues.
3. Further, the [BCUC] is not persuaded that matters relating to the status of FEI's natural gas distribution pipelines should be within the scope of this rate Application. As mentioned above, this Application focuses on rate design and, as such, need not include the merits and demerits of FEI's existing gas distribution system. These matters are better addressed in the 2022 LTGRP.

We agree with the BCUC's previous comments on scope. The scope of this Inquiry is the nature of Renewable Natural Gas as that term is used in the GGRR. Further, we reiterate that this Inquiry does not relate only to FEI but to all public utilities in BC that may acquire Renewable Natural Gas. The other two proceedings discussed above relate only to FEI. If any issues in those proceedings also fall within the scope of this Inquiry, they can be examined here to determine how they relate to all potentially affected public utilities.

6.0 Phase 2 of the Inquiry

The scope of this Inquiry remains to determine the definition of "Renewable Natural Gas" for the purpose of the GGRR. In Phase 1, we examined Renewable Natural Gas that results from the production of biomethane.

However, there may be other clean or renewable processes that give rise to Renewable Natural Gas. Further, FEI has indicated that, in the event of an inability to source a supply of biomethane related Renewable Natural Gas, it would consider purchasing "offsets" as a substitute.⁷⁶ Therefore, the Panel considers it prudent to examine and consider whether the combination of an Environmental Attribute, other than one derived from the production of biomethane, satisfies the meaning of the term Renewable Natural Gas in the GGRR.

In addition, the Panel considers it appropriate to consider whether Renewable Natural Gas has any particular carbon emission profile, including emissions from fugitive methane emissions that may be associated with its production or transportation.

6.1 Invitations for submissions provided in the Draft Phase 1 Report

The Draft Phase 1 Report laid out a series of questions for further comment.⁷⁷ These are restated here, and we invite parties to provide comment in Phase 2:

Parties are invited to comment on whether it is appropriate to set out minimum terms or how the BCUC should evaluate the terms of any such Environmental Attribute as part of the review of an Energy Supply Contract pursuant to section 71 of the UCA. The Panel seeks specific submissions on the following:

1. Given the GGRR does not specify a Carbon Intensity (CI) requirement for RNG, nor is the CI of RNG provided in BC's Low Carbon Fuel Standard (LCFS), should any maximum CI be established for acquired Environmental Attributes arising from the production of biomethane?
2. Should the BCUC consider any fugitive methane emissions that may be associated with the production of biomethane and/or the delivery of RNG?

Given the potential scope and availability of Environmental Attributes, the Panel is interested in considering further the role these Environmental Attributes could play in Natural Gas delivery in BC.

⁷⁶ FEI Submission dated June 6, 2022, p.3.

⁷⁷ Exhibit A-6, Draft Phase 1 Report, p.25.

Therefore, we will continue this Inquiry in a second phase. For Phase 2, the Panel invites further submissions on the following:

1. Are there certain Environmental Attributes other than those derived from the production of biomethane, that when combined with what is Conventional Natural Gas, produce RNG? (Scenario 1)
2. Do Environmental Attributes arising from a “Clean or Renewable Resource”, as that term is defined in the CEA, when combined with Conventional Natural Gas, give rise to RNG? (Scenario 2)
3. If those Environmental Attributes described in scenarios 1, and 2 above do not give rise to RNG, do they reduce the GHG emission profile of the associated Conventional Natural Gas?
4. If Natural Gas is combined with Environmental Attributes that are associated with a process or method that reduces atmospheric CO₂, but does not result in RNG, for example carbon capture and storage, what is the GHG emission profile of that resultant gas?
5. How can the integrity of Environmental Attributes purchased by BC public utilities be assured and what is the BCUC’s role, if any, with respect to double-counting, compliance and enforcement?

6.2 Further submissions invited for Phase 2

Synthesis Gas, Lignin and Hydrogen

Although not considered in the Draft Phase 1 Report, the Panel seeks to clarify the other three gasses that are the subject of sections (7) to (9) of the GGRR; hydrogen, synthesis gas, and lignin which are not defined terms in the GGRR.

Section 6 states:

A public utility’s undertaking that is in a class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:

(a) the public utility

- (i) produces or purchases hydrogen that is distributed through the natural gas distribution system in British Columbia to the customers of that public utility or of another public utility, or*
- (ii) purchases hydrogen that is provided to a customer of the public utility other than through the natural gas distribution system in British Columbia and that is to be used by that customer to replace, at least in part, natural gas derived from fossil fuels;*

(b) the hydrogen referred to in paragraph (a)

- (i) is derived from water using electricity that is generated primarily from clean or renewable resources, or*
- (ii) is waste hydrogen, as defined in the Clean or Renewable Resource Regulation, purchased by the public utility;*

However, section 7(1) and (2)(a) of the GGRR states:

- (1) In this section, “**biomass**” means non-fossilized plants or parts of plants, animal waste or any product made of either of these, other than a fuel product, and includes wood and wood products, agricultural residues and wastes, biologically derived organic matter found in municipal and industrial wastes, black liquor and kraft pulp fibres.*

(2) *A public utility's undertaking that is in a class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:*

(a) *the public utility purchases and distributes synthesis gas that is*

- (i) *derived from biomass,*
- (ii) *to be used by a customer to replace, at least in part, natural gas derived primarily from fossil fuels, and*
- (iii) *to be used at the site at which it is produced;*

Section 8(1)(a) states:

(1) *A public utility's undertaking that is in a class defined as follows is a prescribed undertaking for the purposes of section 18 of the Act:*

(a) *the public utility purchases and distributes lignin that is*

- (i) *derived from black liquor,*
- (ii) *to be used by a customer to replace, at least in part, natural gas derived from fossil fuels, and*
- (iii) *to be used at the site at which it is produced;*

Section 10 states:

If a public utility does 2 or more of the following:

- (a) *acquires renewable natural gas in accordance with section 2 (3.8);*
- (b) *produces or purchases hydrogen in accordance with section 6;*
- (c) *purchases synthesis gas in accordance with section 7;*
- (d) *purchases lignin in accordance with subsection 8.*

the aggregate amount of all products must not exceed 15% of the total amount of natural gas, in GJ, provided by the public utility to its non-bypass customers in 2019.

Section 10 of the GGRR may suggest that lignin, synthesis gas and hydrogen are not considered by the GGRR to be Renewable Natural Gas. We therefore seek submissions on this matter, including the following:

1. Does the definition of Renewable Natural Gas include synthesis gas, lignin and hydrogen?
2. Can gas derived from synthesis gas, lignin and hydrogen be notionally delivered or unbundled?

Parties' Submissions

The Panel also considers it appropriate to invite further submissions on issues raised by parties in Phase 1 of this Inquiry.

The CEC submits that:⁷⁸

A related issue is whether or not a public utility can or should acquire GHG Environmental Attributes outside of the Prescribed Undertakings described in the GGRR. For instance, a question for the Commission could be to what extent should a public utility acquire Environmental Attributes as an asset, and could the utility acquire this asset and keep the costs for achieving this greater level of GHG environmental attributes (i.e. GHG reductions) in a deferral account for use in future years. Acquiring GHG reductions earlier, rather than later, creates additional environmental benefits.

⁷⁸ CEC Submission dated January 31, 2022, p.5.

We invite submissions on CEC's comments.

CBA submits:⁷⁹

For example, this decoupling of environmental attributes is an approach that is used in the California Low-Carbon Fuel Standard. RNG projects can use book-and-claim accounting to keep track of the ownership and transfer of RNG without tracking the physical fuel. The decoupled environmental attributes represent the ownership and transportation of RNG without physically tracing it. RNG injected into a pipeline must maintain evidence of chain-of-custody by California Air Resources Board accredited LCFS third parties. Once the environmental attribute is decoupled and purchased, the physical gas is considered conventional natural gas [sic] and can no longer be claimed as RNG by the producer. This prevents double counting.

We invite submissions on CBA's comments and welcome intervenor evidence, if warranted, on the approach taken by California and other jurisdictions including whether, or how, it is inconsistent with the treatment of Renewable Natural Gas under the GGRR.

MoveUp submits that:⁸⁰

The utility workforce represented by the union has a vital interest in ensuring that FEI achieves a soft landing through the period of transition that is now underway in earnest. Their careers and livelihoods depend on it. FEI's ability to source sufficient non-fossil gas to meet evolving standards is critical to that soft landing, and it must be given the tools to accomplish it.

We submit that the GGRR is similarly aimed at guiding gas utilities through these transitions and should be interpreted and applied to enable success. It should be seen as a tool to serve societal purposes, including providing a pathway to mitigate economic dislocation as we pursue our collective climate goals.

MoveUp also submits that:⁸¹

One objective of energy utility regulators at this juncture should be to enable the survival of the natural gas distribution sector, and its transition to a sustainable future.

We invite submissions on these MoveUp comments.

We also invite submissions on whether recommendations should be made to the Provincial Government to prohibit unbundling of Environmental Attributes – or the notional delivery of Renewable Natural Gas – under certain circumstances. Such circumstances may include:

- Biomethane injected in the distribution system of an applicant upstream of all potential customers of Renewable Natural Gas
- Biomethane injected in the distribution system of an applicant downstream of all potential customers of Renewable Natural Gas
- Biomethane injected in the pipeline system of a third party upstream of an applicant's distribution system

⁷⁹ CBA Submission dated January 31, 2022, pp. 1-2.

⁸⁰ MoveUp Submission dated January 31, 2022, p.11.

⁸¹ Ibid., p.1.

- Biomethane injected in the distribution system of a third party that is downstream of the applicant's distribution system
- Biomethane injected in a transmission or distribution system of a third party that is not connected in any way to the applicant's distribution system.

Further, what relevance, if any, does the province, state or country in which the biomethane is manufactured have? We invite submissions, and evidence where warranted, from parties on this topic.

7.0 PACA Provisions

The Panel appreciates the active participation of all parties in Phase 1 of the Inquiry and encourages further participation in Phase 2. The Panel invites parties to file PACA or file any revised PACA applications if further costs have been incurred and are sought to be awarded for Phase 1 of the Inquiry, prior to commencement of Phase 2. Alternatively, parties may wish to file any PACA applications upon completion of Phase 2 for the total PACA amounts sought in both phases of the Inquiry.

Given this Inquiry was initiated prior to June 30, 2022, the Panel reminds participants that PACA will be awarded pursuant to the PACA guidelines as found in Appendix A attached to BCUC Order G-97-17.

8.0 Summary of Phase 2 Invited Submissions

No.	Submission Sought	Page
1.	The next Phase of this Inquiry will consider different types of Environmental Attributes. The Panel invites parties to provide submissions on what specific attributes or criteria those alternate Environmental Attributes must have, how those Environmental Attributes can be verified and how customers can be assured of their integrity.	p.15
2.	BCSEA state: ⁸² In BCSEA's view, biomethane is a gas mixture that can be readily distinguished (including chemically) from the conventional natural gas mixture. We invite further submissions on how biomethane is physically distinguished from Conventional Natural Gas and the significance and consequences of this difference, particularly as it relates to the acquisition of Renewable Natural Gas.	p.16
3.	Parties are invited to comment on whether it is appropriate to set out minimum terms or how the BCUC should evaluate the terms of any such Environmental Attribute as part of the review of an Energy Supply Contract pursuant to section 71 of the UCA. The Panel seeks specific submissions on the following: 1. Given the GGRR does not specify a Carbon Intensity (CI) requirement for RNG, nor is the CI of RNG provided in BC's Low Carbon Fuel Standard (LCFS), should any maximum CI be established for acquired Environmental Attributes arising from the production of biomethane? 2. Should the BCUC consider any fugitive methane emissions that may be associated with the production of biomethane and/or the delivery of RNG? Given the potential scope and availability of Environmental Attributes, the Panel is interested in considering further the role these Environmental Attributes could play in Natural Gas delivery in BC.	pp.20 - 21

⁸² BCSEA Submission dated June 6, 2022, p.6.

No.	Submission Sought	Page
	<p>Therefore, we will continue this Inquiry in a second phase. For Phase 2, the Panel invites further submissions on the following:</p> <ol style="list-style-type: none"> 1. Are there certain Environmental Attributes other than those derived from the production of biomethane, that when combined with what is Conventional Natural Gas, produce RNG? (Scenario 1) 2. Do Environmental Attributes arising from a “Clean or Renewable Resource”, as that term is defined in the CEA, when combined with Conventional Natural Gas, give rise to RNG? (Scenario 2) 3. If those Environmental Attributes described in scenarios 1, and 2 above do not give rise to RNG, do they reduce the GHG emission profile of the associated Conventional Natural Gas? 4. If Natural Gas is combined with Environmental Attributes that are associated with a process or method that reduces atmospheric CO₂, but does not result in RNG, for example carbon capture and storage, what is the GHG emission profile of that resultant gas? 5. How can the integrity of Environmental Attributes purchased by BC public utilities be assured and what is the BCUC’s role, if any, with respect to double-counting, compliance and enforcement? 	
4.	<p>Section 10 of the GGRR may suggest that lignin, synthesis gas and hydrogen are not considered by the GGRR to be Renewable Natural Gas. We therefore seek submissions on this matter, including the following:</p> <ol style="list-style-type: none"> 1. Does the definition of Renewable Natural Gas include synthesis gas, lignin and hydrogen? 2. Can gas derived from synthesis gas, lignin and hydrogen be notionally delivered or unbundled? 	p.22
5.	<p>The CEC submits that:⁸³</p> <p>A related issue is whether or not a public utility can or should acquire GHG Environmental Attributes outside of the Prescribed Undertakings described in the GGRR. For instance, a question for the Commission could be to what extent should a public utility acquire Environmental Attributes as an asset, and could the utility acquire this asset and keep the costs for achieving this greater level of GHG environmental attributes (i.e. GHG reductions) in a deferral account for use in future years. Acquiring GHG reductions earlier, rather than later, creates additional environmental benefits.</p> <p>We invite submissions on CEC’s comments.</p>	p.23
6.	<p>CBA submits:⁸⁴</p> <p>For example, this decoupling of environmental attributes is an approach that is used in the California Low-Carbon Fuel Standard. RNG projects can use book-and-claim accounting to keep track of the ownership and transfer of RNG without tracking the physical fuel. The decoupled environmental attributes represent the ownership and transportation of RNG without physically tracing it. RNG injected into a pipeline must maintain evidence of chain-of-custody by California Air Resources Board accredited LCFS third parties. Once the environmental attribute is decoupled and purchased, the physical gas is considered conventional natural gas [sic] and can no longer be claimed as RNG by the producer. This prevents double counting.</p> <p>We invite submissions on CBA’s comments and welcome intervener evidence, if warranted, on the approach taken by California and other jurisdictions including whether, or how, it is inconsistent with the treatment of Renewable Natural Gas under the GGRR.</p>	p.23
7.	<p>MoveUp submits that:⁸⁵</p> <p>The utility workforce represented by the union has a vital interest in ensuring that FEI achieves a soft landing through the period of transition that is now underway in earnest. Their careers and livelihoods depend on it. FEI’s ability to source sufficient</p>	p.23

⁸³ CEC Submission dated January 31, 2022, p.5.

⁸⁴ CBA Submission dated January 31, 2022, pp. 1-2.

⁸⁵ MoveUp Submission dated January 31, 2022, p.11.

No.	Submission Sought	Page
	<p>non-fossil gas to meet evolving standards is critical to that soft landing, and it must be given the tools to accomplish it. We submit that the GGRR is similarly aimed at guiding gas utilities through these transitions and should be interpreted and applied to enable success. It should be seen as a tool to serve societal purposes, including providing a pathway to mitigate economic dislocation as we pursue our collective climate goals.</p> <p>MoveUp also submits that:⁸⁶</p> <p>One objective of energy utility regulators at this juncture should be to enable the survival of the natural gas distribution sector, and its transition to a sustainable future.</p> <p>We invite submissions on these MoveUp comments.</p>	
8.	<p>We also invite submissions on whether recommendations should be made to the Provincial Government to prohibit unbundling of Environmental Attributes – or the notional delivery of Renewable Natural Gas – under certain circumstances. Such circumstances may include:</p> <ul style="list-style-type: none"> • Biomethane injected in the distribution system of an applicant upstream of all potential customers of Renewable Natural Gas • Biomethane injected in the distribution system of an applicant downstream of all potential customers of Renewable Natural Gas • Biomethane injected in the pipeline system of a third party upstream of an applicant’s distribution system • Biomethane injected in the distribution system of a third party that is downstream of the applicant’s distribution system • Biomethane injected in a transmission or distribution system of a third party that is not connected in any way to the applicant’s distribution system. <p>Further, what relevance, if any, does the province, state or country in which the biomethane is manufactured have? We invite submissions, and evidence where warranted, from parties on this topic.</p>	pp.23-24
9.	<p>The Panel invites submissions, and evidence if warranted, from parties on any other matter they consider relevant to this Inquiry.</p>	

⁸⁶ Ibid., p.1.

DATED at the City of Vancouver, in the Province of British Columbia, this

28th

day of July 2022.

Original signed by:

D. M. Morton
Panel Chair / Commissioner

Original signed by:

R. I. Mason
Commissioner

Original signed by:

A. Pape-Salmon
Commissioner



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**ORDER NUMBER
G-212-22**

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

British Columbia Utilities Commission Inquiry into the Acquisition of Renewable Natural Gas (RNG)
by Public Utilities in British Columbia

BEFORE:

D. M. Morton, Panel Chair
R. I. Mason, Commissioner
A. Pape-Salmon, Commissioner

on July 28, 2022

ORDER

WHEREAS:

- A. By letter dated December 22, 2021, the BCUC established an Inquiry into the Acquisition of Renewable Natural Gas (RNG) by Public Utilities in British Columbia (Inquiry) and invited parties to provide submissions as laid out in the letter;
- B. By January 31, 2022, submissions were received from the following parties:
- Movement of United Professionals (MoveUP);
 - Commercial Energy Consumers Association of British Columbia (CEC);
 - Pacific Northern Gas Ltd. (PNG);
 - B.C. Sustainable Energy Association (BCSEA);
 - Canadian Biogas Association (CBA);
 - FortisBC Energy Inc. (FEI); and
 - Residential Consumer Intervenor Association (RCIA).
- C. By letter dated February 11, 2022, the BCUC provided the opportunity to file reply submissions, which were received by MoveUp, CEC, PNG, BCSEA, FEI and RCIA;
- D. By letter dated March 24, 2022, the BCUC provided an update on the status of the Inquiry and notified parties that a draft inquiry report (Draft Phase 1 Report) and regulatory timetable seeking comments would be issued in due course;

- E. On May 20, 2022, the BCUC issued the Draft Phase 1 Report with its preliminary findings and by Order G-144-21, established a regulatory timetable which, among other things, sought parties' submissions on the contents of the Draft Report and responses to specific questions;
- F. By June 6, 2022, MoveUp, PNG, BCSEA, FEI and the RCIA filed their submissions on the Draft Phase 1 Report. On June 20, 2022, BCSEA filed its reply submission;
- G. In the Draft Phase 1 Report, the Panel proposed a Phase 2 of the Inquiry;
- H. By Order G-173-22 dated June 24, 2022, the BCUC adjourned the Inquiry for 30 days or until otherwise directed by the Panel; and
- I. The BCUC has reviewed the submissions to date and makes the following determinations.

NOW THEREFORE for the reasons provided in the Decision issued concurrently with this Order, the BCUC orders the following:

- 1. Final Phase 1 Report is issued and Phase 1 of the Inquiry is complete.
- 2. A Phase 2 of the Inquiry will be added to this Inquiry and will commence by separate order.

DATED at the City of Vancouver, in the Province of British Columbia, this 28th day of July 2022.

BY ORDER

Original signed by:

D. M. Morton
Commissioner

List of Acronyms

Acronym	Description
2022 LTGRP	FEI's Long Term Gas Resource Plan
BCSEA	B.C. Sustainable Energy Association
BCUC	British Columbia Utilities Commission
BPA	Biomethane Purchase Agreements
CBA	Canadian Biogas Association
CEA	<i>Clean Energy Act</i>
CEC	Commercial Energy Consumers Association of British Columbia
CI	Carbon Intensity
Draft Report, Draft Phase 1 Report	Inquiry into the Acquisition of Renewable Natural Gas (RNG) by Public Utilities in British Columbia
EA	Environmental Attributes
ESC	Energy Supply Contracts
FEI	FortisBC Energy Inc.
FEI BERG Rate & Revised RNG Program Application	FEI's Biomethane Energy Recovery Charge Rate Methodology and Comprehensive Review of a Revised Renewable Gas Program Application
FNG	Fossil Natural Gas
GGRR	Greenhouse Gas Reduction Regulation
GHG	Greenhouse Gas
Inquiry	Inquiry into the Acquisition of Renewable Natural Gas by Public Utilities in British Columbia
LCFS	Low Carbon Fuel Standard
LDS	Local Distribution System
LGIC	Lieutenant Governor in Council
MoveUP	Movement of United Professionals
OIC	Order in Council
PNG	Pacific Northern Gas Ltd.
RCIA	Residential Consumer Intervenor Association
RNG	Renewable Natural Gas
UCA	<i>Utilities Commission Act</i>

IN THE MATTER OF
the *Utilities Commission Act*, RSBC 1996, Chapter 473

and

BC Utilities Commission
Inquiry into the Acquisition of Renewable Natural Gas by Public Utilities in British Columbia

EXHIBIT LIST

Exhibit No.	Description
<i>COMMISSION DOCUMENTS</i>	
A-1	Letter dated December 22, 2021 – BCUC request for Submissions
A-2	Letter dated February 11, 2022 – BCUC request for Reply Submissions
A-3	Letter dated March 24, 2022 – BCUC providing an update on the Inquiry
A-4	Letter dated May 20, 2022 – BCUC appointing the Panel for the Inquiry into the Acquisition of Renewable Natural Gas by Public Utilities in British Columbia
A-5	Letter dated May 20, 2022 – BCUC Order G-142-22 establishing a regulatory timetable
A-6	Letter dated May 20, 2022 – BCUC submitting the Draft Report for the Inquiry
A-7	Letter dated June 24, 2022 – BCUC providing a Panel Amendment
A-8	Letter dated June 24, 2022 – BCUC Order G-173-22 Adjourning the Inquiry